



Tri-Cities Airport Commission

Tri-Cities Regional Airport, TN/VA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011



TRI-CITIES REGIONAL AIRPORT
t e n n e s s e e • v i r g i n i a

Tri-Cities Airport Commission

Blountville, Tennessee

A Joint Venture of

Bristol, TN

Bristol, VA

Johnson City, TN

Kingsport, TN

Sullivan County, TN

Washington County, TN



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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

TRI-CITIES AIRPORT COMMISSION

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Tri-Cities Airport Commission

Tri-Cities Regional Airport, TN/VA

Vision

To be a premier air transportation center
and a catalyst for economic growth

Mission

To support economic growth by providing the best
available facilities and service for passengers,
air cargo, corporate and general aviation



TRI-CITIES REGIONAL AIRPORT
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TRI-CITIES AIRPORT COMMISSION

COMMISSIONERS & SENIOR STAFF

As of June 30, 2011

Airport Commissioners

Ken Maness, Chairman
Mayor Jim Rector, Vice-Chairman
Joe L. Wilson, Secretary-Treasurer
Dr. Frank Anderson
James "Moe" Brotherton
Mayor Dan Eldridge
Mayor Steve Godsey
Dan Mahoney
Mayor Jane Myron
J. Parker Smith
John Abe Teague
Fred S. Testa

Airport Senior Staff

Patrick W. Wilson, Executive Director
William J. Anderson, Director of Finance
David Jones, Director of Operations
Melissa Thomas, Director of Marketing & Air Service Development
Kathy Yakley, Manager of HR & Administrative Services
Mark Canty, Trade Development Specialist



≈≈≈ Letter of Transmittal ≈≈≈

November 17, 2011

To the Members of the Tri-Cities Airport Commission:

This "Comprehensive Annual Financial Report" (CAFR) of the Tri-Cities Airport Commission for the year ended June 30, 2011 is hereby submitted. This report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Blackburn, Childers, & Steagall, PLC.

The Accounting Department of the Tri-Cities Airport Commission has prepared this report and assumes full responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the proprietary fund of Tri-Cities Airport Commission.

The CAFR is presented in four sections: (i.) the Introductory Section, which is unaudited, contains the Airport's vision and mission statements, a list of the Tri-Cities Airport Commission's appointed officials and key staff members, and the "Letter of Transmittal"; (ii.) the Financial Section includes the independent auditors' report, the "Management's Discussion and Analysis" of the financial condition of the Commission, the financial statements and notes to the statements and the supplementary information; (iii.) the Statistical Section includes selected unaudited financial and demographic information; and, (iv.) the Compliance section includes the Auditors' report on compliance and Internal Control over financial reporting in accordance with Government Auditing Standards and with the U. S. Office of Management and Budget Circular A-133.

The CAFR was prepared using the guidelines set forth by the Government Finance Officer's Association of the United States and Canada (GFOA) to be eligible for application of the Certificate of Achievement Award. The guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of , "Management's Discussion and Analysis" (MD&A). This "Letter of Transmittal" should be read in conjunction with the MD&A that is located in the Financial Section.

REPORTING ENTITY

The Tri-Cities Airport Commission is jointly owned and administered by six cities and counties. The Airport Commission is charged with the responsibility of directing the development, operation, maintenance, control and administration of the Tri-Cities Regional Airport, TN / VA.

The Airport Commission is composed of twelve persons, each with one vote. Each owner of the Airport is entitled to appoint a specified number of Commissioners as follows:

Governmental Entity	Ownership	Representation
Washington County, Tennessee	20 percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

The officers of the Commission consist of a Chairman, Vice-Chairman, and a Secretary-Treasurer. The Commission currently has five standing committees. These committees are advisory in nature but are authorized to make decisions that are binding on the full Commission with prior approval by the Commission. The current committees are: Executive Committee, Administration/Operations Committee, Marketing Committee, Airfield Development Committee, and the Air Cargo and Trade Development Committee.

MANAGEMENT

The Airport Commission hires an executive director to head up the management of the Airport. The executive director oversees a staff of 45 full-time and 21 part-time employees, as of June 30, 2011. The staff is responsible for the day-to-day administrative, financial, operational and personnel matters relating to the Tri-Cities Regional Airport TN / VA.

There are eleven departments overseeing the activities at the Tri-Cities Regional Airport. The Executive Director, Patrick Wilson, heads the Administrative Department and oversees the operations, marketing, finance and air cargo & trade development departments.

Mr. David Jones, Director of Operations, oversees the access control, janitorial, maintenance, public safety and engineering services departments. The Operations department also ensures that the Airport complies with FAA standards and regulations. The Operations department is also responsible for preparing state and federal grant applications and coordinates the efforts of engineers, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Bill Anderson, Director of Finance, oversees all the accounting functions, including the Airport's budgets, audits, payables, receivables, payroll and all financial reporting. All financial obligations and/or indebtedness are handled in the finance department.

Melissa Thomas, Director of Marketing and Air Service Development, oversees the marketing department handling advertising, public and airline relations and marketing the Airport to passengers and prospective airlines. She also oversees the Airport Services staff, supervised by Karen Weaver, who assists passengers and provides business and postal services in the terminal.

Kathy Yakley, Manager of Human Resources and Administrative Services, is responsible for employee relations and benefits, retirement programs and property administration.

Mark Canty, Air Cargo & Trade Development Specialist, is responsible for promoting air cargo, administration of Foreign Trade Zone No. 204, development and maintenance of programs and initiatives designed to foster international trade, and marketing and promotion of the U.S. Customs station within the Tri-Cities Region.

THE AIRPORT TODAY

Tri-Cities Regional Airport is centrally located between the Tennessee cities of Bristol, Kingsport, Johnson City, and Bristol, Virginia and serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky. The Tri-Cities region is strategically located within a day's drive of more than 70 percent of the nation's population.

The region offers a wide range of market benefits including a 60-mile trade population of approximately 1 million, a large manufacturing sector, exceptional interstate highway network and 27 regional industrial parks with more than 2,500 acres of developable property.

The Airport's property covers approximately 1,250 acres of land, 89 acres in easements, and a 113,532-sf passenger terminal building with ample short-term and long-term parking, passenger services, national rental car brands, restaurant and bar, gift shop, business center and free wireless internet.

A13,000-sf Air Cargo Logistics Center houses US Customs & Border Protection Port #2027 and Foreign-Trade-Zone #204. The site includes a 485 ft. x 360 ft. cargo ramp, 75-ft-wide taxiway system, speculative building space, and a 35-acre development area with direct airfield access.

Port #2027, a federally staffed, full-service customs station, allows for passengers and imported goods to clear Customs in Tri-Cities and avoid congestion and delays common at larger Ports of Entry.

A fixed based operator (FBO) is housed on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the point-of-entry for customers who are not using commercial airline service and provides aircraft storage, fuel and maintenance services.

As the physical link between passengers and the air transportation network, the Airport Commission strives to provide air service to meet passenger demand. Historically, Tri-Cities' passenger base has been business oriented, and that trend is expected to continue. However, with the addition of low fare service to Florida destinations, the percentage of leisure traffic is expected to grow in the future.

The Airport offers four airlines serving passengers through five connecting hubs and leisure destinations. Delta Connection provides service to Atlanta, US Airways Express serves Charlotte, American Eagle provides direct service to Chicago, and Allegiant offers service to Orlando and St. Petersburg/Clearwater.

ECONOMIC CONDITIONS AND OUTLOOK

Airport

Historically, passengers traveling on business have accounted for approximately 60 percent of the customer base. While that percentage has varied through the years depending on fare levels, TRI's air service and fare structure continue to be geared toward business travel, providing the stability to weather economic downturns. However, with a business market and only three network carriers, TRI is subject to higher fares and potentially vulnerable to airline bankruptcies and mergers.

During the 2011 fiscal year, passenger aircraft loads increased 1.9%, while available aircraft seats increased 5.7%, which was due largely to the new American Eagle service direct to Chicago. Net passenger traffic increased 7.3% above FY 2010, which was almost entirely attributable to the new direct service to Chicago. On September 27, 2011 the Department of Transportation awarded a Small Community Air Service Development Grant amounting to \$250,000. The grant will be used to attract additional air service to the Tri-Cities region.

Local Economy

The Tri-Cities Airport Commission uses quarterly data produced by the East Tennessee State University Bureau of Business and Economic Research to monitor national and regional economic conditions. The following information was obtained from reports released by this organization.

Retail performance continued to recover during 2011 in the United States and the State of Tennessee. Nationally, dollar sales volume increased for the seventh quarter in a row – adjusted for inflation, real sales were higher by 4.5% during the second quarter of 2011. In Tennessee, sales volume was 1.9% above 2010 levels, marking the fifth quarter of real growth in retail activity.

Over the April to June 2011 period, retail sales performance in the Tri-Cities Combined Statistical Area (CSA) increased for the fifth quarter in a row, with dollar sales rising 5.0%. Adjusted for inflation, retail volume in the metro area was 1.6% above the same period in 2010.

Labor market conditions improved significantly in the metro area during the second quarter 2011. Employment increased by an impressive 2.9% to 232,417, a gain of over 6,500 jobs compared to the same period in 2010. The high level of job creation caused many discouraged workers to re-enter the labor force, which increased unemployment levels slightly by 0.4% to 21,766. Over the April to June 2011 period, the unemployment rate for the Tri-cities area was 8.6%, compared to 8.8% a year ago. This marks the fourth quarter in a row of labor market recovery in Northeast Tennessee and Southwest Virginia.

Generally, national and local economic improvements support passenger increases in air travel. Thus, due to improved economic conditions, travel trends at Tri-Cities Regional Airport continued to show increasing passenger numbers.

CAPITAL PLANNING

Through the Airport's master planning process, the Commission lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from Federal and State aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan and strategic plan. The priorities for FY 2011 were as follows:

- 1) Safety and security for all users of the Airport;
- 2) Projects deemed to meet air carrier passenger needs and demands;
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users;
- 4) Implement projects that will generate new revenue sources; and
- 5) Implement projects that will maximize all sources of funding availability.

FINANCIAL INFORMATION

Internal Controls

Management of the Tri-Cities Airport Commission is responsible for establishing and maintaining an internal control structure designed to ensure that: (i.) the assets of Tri-Cities Airport Commission are protected from loss, theft or misuse; (ii.) to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and, (iii.) that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Commission applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: (i.) the cost of a control should not exceed the benefits likely to be derived; and (ii.) the valuation of costs and benefits requires estimates and judgments by management.

As part of Tri-Cities Airport Commission's single audit, tests were made of the Airport Commission's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although an opinion on the Airport Commission's internal control system or its compliance with laws and regulations was not given, the audit for the year-ended June 30, 2011 disclosed no material internal control weaknesses or material violations of laws and regulations.

Operating Budget

An annual operating budget is prepared and approved by the Tri-Cities Airport Commission. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. A Capital Projects Budget is approved annually with the appropriated funds remaining intact until completion of the project.

The Tri-Cities Airport Commission continues to meet its responsibility for sound financial management. The Airport Commission is self-supporting through user fees of the Airport and has not received local tax dollars since 1967.

CASH MANAGEMENT POLICIES

The Investment Policy of the Airport Commission sets the criteria for surplus funds. The Airport Commission consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

The Tri-Cities Airport Commission is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

RISK MANAGEMENT

The Tri-Cities Airport Commission is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Commission's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Commission as an additional insured. All contractors engaged in construction projects are required to meet minimum requirements as specified in the bid documents.

In addition to the insurance policies carried by the Airport Commission, a restricted investment account was established in 1987 as a self-insurance contingency fund to cover any claims not covered by insurance.

OTHER INFORMATION

Independent Audit

As required by state statutes, the Tri-Cities Airport Commission requires an annual independent audit by a Certified Public Accountant. The selection is administered by the Administration/Operations Committee with final approval by the full Commission. The firm of Blackburn, Childers & Steagall, PLC was selected to perform the independent audit for the year ending June 30, 2011. The audit is also used to meet the requirements and all revisions of the federal Single Audit Act of 1996, and the related U. S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards were used by the auditors in conducting their audit.

The independent auditors' report on the financial statements is included in the Financial Section of this report. Their independent auditors' report on internal controls and compliance with applicable laws and regulations are located at the end of the financial section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the 12th consecutive year that the airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

We would like to take this opportunity to thank the Airport Commission for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Melissa Thomas, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks is given to the accounting department staff, Janice Lynch, Tim Cartwright, and Teresa Acklin for their hard work and dedication.

Respectfully submitted,



Patrick W. Wilson
Executive Director



William J. Anderson, CPA
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to
Tri-Cities Airport Commission
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

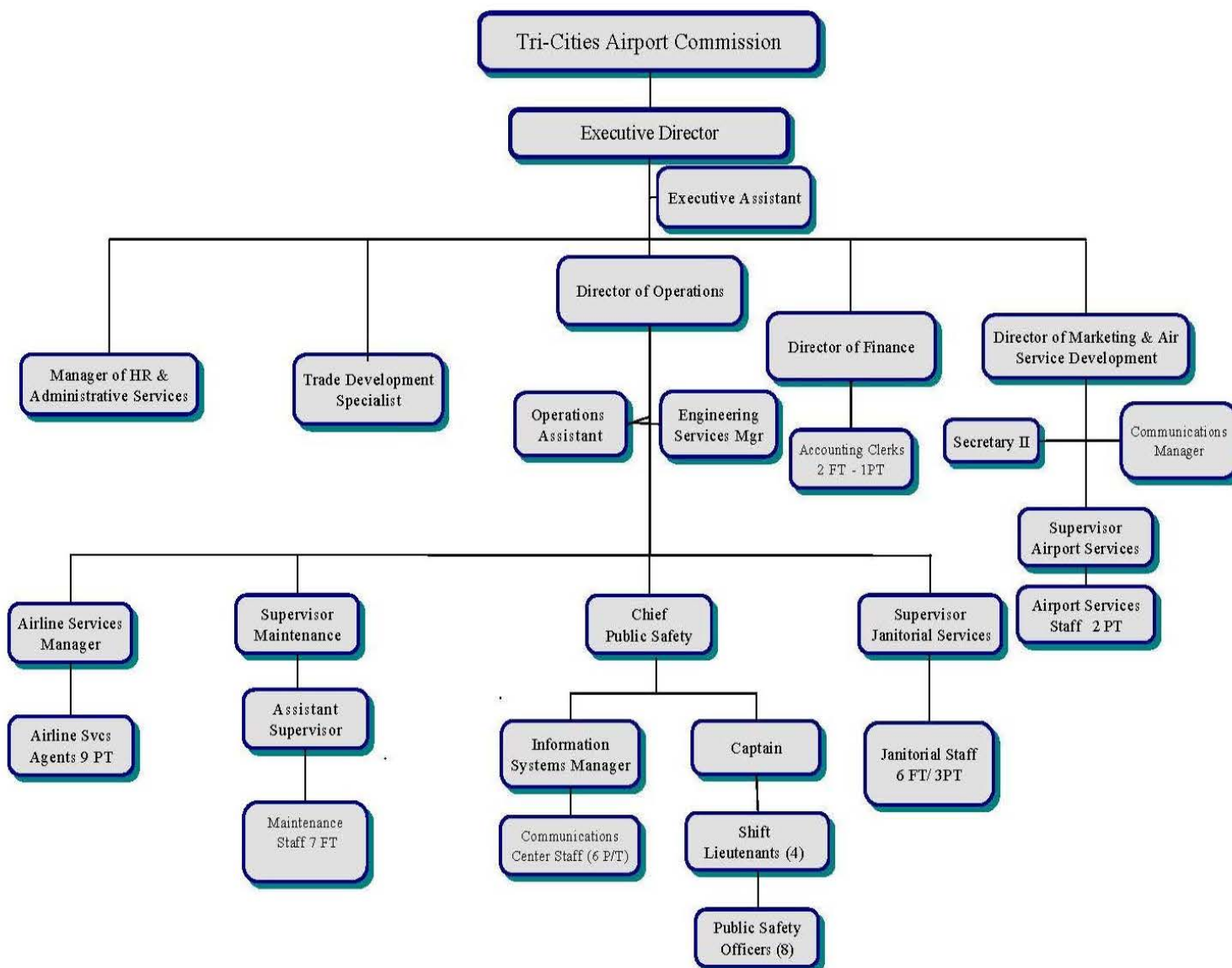
Jeffrey R. Emer

Executive Director

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TRI-CITIES AIRPORT COMMISSION ORGANIZATION CHART



June 2011

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Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Supplemental Schedules



TRI-CITIES REGIONAL AIRPORT
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Tri-Cities Airport Commission
Blountville, Tennessee

Basic Financial Statements

With

Independent Auditors' Report

And

Supplemental Information

For the Year Ended June 30, 2011



TRI-CITIES REGIONAL AIRPORT
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INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

We have audited the accompanying basic financial statements of the Tri-Cities Airport Commission as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the Tri-Cities Airport Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

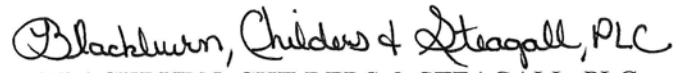
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Cities Airport Commission as of June 30, 2011, and the changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011, on our consideration of the Tri-Cities Airport Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 25 - 37 and page 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Commission's basic financial statements as a whole. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following Management's Discussion and Analysis (MD&A) of the Tri-Cities Regional Airport, TN/VA's activities and financial performance provides an overview of the Tri-Cities Airport Commission's basic financial statements for the fiscal year ended June 30, 2011. The Tri-Cities Airport Commission is the governing entity operating the Tri-Cities Regional Airport. This MD&A should be read in conjunction with the "Letter of Transmittal" included in the Introduction Section and the Commission's financial statements following this section.

Overview of the Financial Statements

The Financial Section of this annual report consists of five parts: (i.) Management's Discussion and Analysis (MD&A); (ii.) the Basic Financial Statements; (iii.) Required Supplementary Information; (iv.) Statistical Schedules; and, (v.) an optional section that presents Schedules of Federal and State Awards and Passenger Facility Charge Activity.

The Tri-Cities Airport Commission is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Commission.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and other schedules that further explain and support the information in the basic financial statements.

Required financial statements include the: (i.) Balance Sheet; (ii.) Statement of Revenues, Expenses and Changes in Net Assets; and, (iii.) Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader's understanding of the Airport Commission's accounting policies.

Airport Activity Highlights

Airport Passenger Activity during FY 2011 increased by 7.3 percent compared to FY 2010. This increase resulted primarily from the addition of new daily American Eagle direct service to Chicago. Total aircraft operations were down slightly by 1.5% due primarily to reductions in General Aviation and Air Cargo flights. Air Cargo activity decreased 65.3% due to the reduced economic activity.

The following table shows the increases and decreases from the previous fiscal year.

<u>Activity</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>% of Change</u>
Passengers	432,398	402,955	7.3%
Aircraft Operations	50,799	51,573	- 1.5%
Aircraft Landed Weights (lbs.)	295,022	280,538	5.2%
Seating Capacity	619,138	585,744	5.7%
Mail	2,479	5,114	- 51.5%
Air Freight	129,059	372,414	- 65.3%

The following airlines serving Tri-Cities Regional Airport, TN/VA:

Delta Connection offers the majority of flights and seats at TRI. Delta provides an average of nine flights per day to Atlanta aboard 50 seat regional jets.

US Airways Express has an average of six daily round-trip flights to Charlotte aboard 50-passenger Embraer and Canadair regional jets and the de Havilland Dash 8-300 propjet seating 50 passengers.

American Eagle began two daily flights direct to Chicago's O'Hare International Airport on July 2, 2011 on 44 seat regional jets.

Allegiant Air began low fare service to Orlando in May 2007 aboard 150-seat MD-80 jets. Service was then expanded to St. Petersburg - Clearwater in November 2008.

Financial Position

The overall financial position of the Airport Commission improved with a 3.2% increase in total net assets. This increase was primarily due to continued capital contributions.

Operating Income before depreciation and amortization was down 7.3% from 2010 largely because of an increase in operating expenses of 4.8% from 2010.

Capital contributions received from federal and state grants were down \$3.133 million from last year.

Summary of Changes in Net Assets

	Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$5,896,264	\$5,693,560	\$5,818,444
Operating Expenses	<u>5,347,016</u>	<u>5,101,080</u>	<u>5,431,972</u>
Operating Income before Depreciation & Amortization	549,248	592,480	386,472
Less: Depreciation & Amortization	<u>3,161,663</u>	<u>3,066,865</u>	<u>2,869,102</u>
Operating Loss	(2,612,415)	(2,474,385)	(2,482,630)
Non-Operating Revenues (Expenses)	<u>936,264</u>	<u>809,692</u>	<u>781,318</u>
Loss before Capital Contributions	(1,676,151)	(1,664,693)	(1,701,312)
Capital Contributions	<u>3,640,905</u>	<u>6,774,016</u>	<u>7,485,388</u>
Change in Net Assets	<u>\$1,964,754</u>	<u>\$5,109,323</u>	<u>\$5,784,076</u>

Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or "users" of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

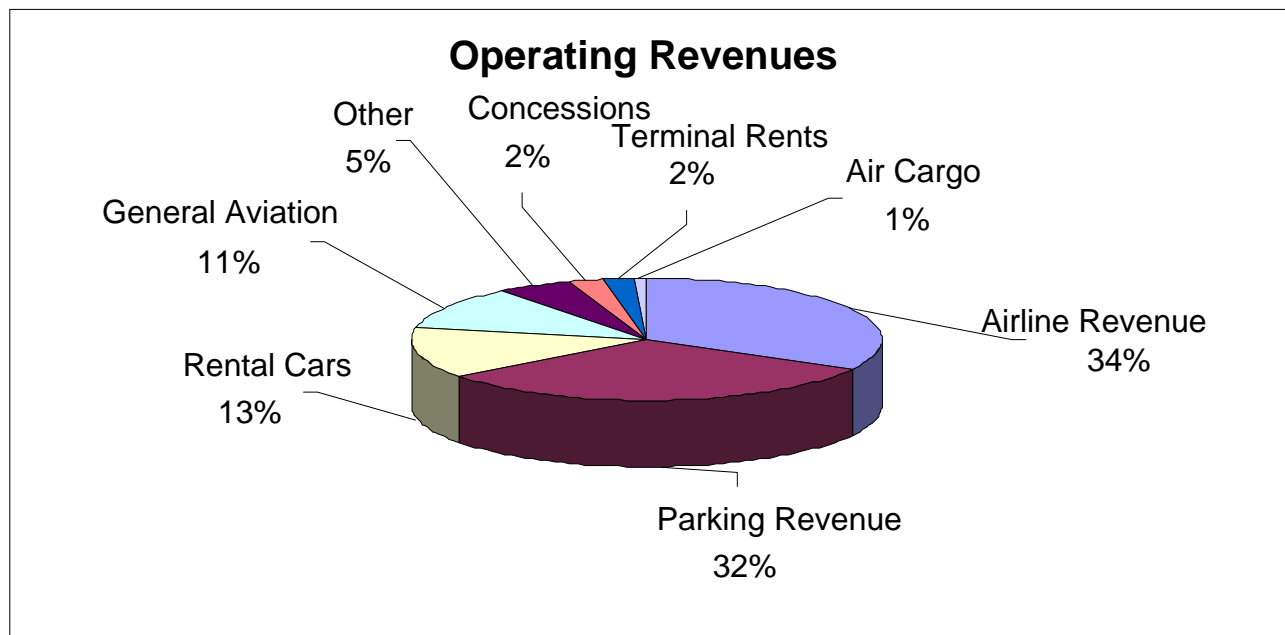
Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges

The Airport Commission develops an operating budget and capital improvement budget each year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport's portion of capital projects. Any net revenues after capital projects are placed in the operating reserves.

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2011, 2010 and 2009:

	Year Ended June 30,		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues:			
Airline Revenue	\$1,952,081	\$1,868,451	\$2,026,840
General Aviation	669,528	668,549	608,608
Air Cargo	51,394	79,123	143,055
Parking	1,858,862	1,704,348	1,782,756
Rental Cars	792,309	764,671	679,626
Concessions	136,885	136,192	143,767
Terminal Rents	127,132	120,151	116,488
Other	<u>308,073</u>	<u>352,075</u>	<u>317,304</u>
Total Operating Revenues	<u>\$5,896,264</u>	<u>\$5,693,560</u>	<u>\$5,818,444</u>
Non-Operating Revenues:			
Interest Income	31,380	69,405	65,844
Passenger Facility Charges	879,296	790,497	843,482
Customer Facility Charges	<u>355,410</u>	<u>307,017</u>	<u>253,729</u>
Total Non-Operating Revenues	<u>\$1,266,086</u>	<u>\$1,166,919</u>	<u>\$1,163,055</u>
TOTAL REVENUES	<u>\$7,162,350</u>	<u>\$6,860,479</u>	<u>\$6,981,499</u>
Capital Contributions:			
Federal Grant Revenue	\$2,580,825	\$5,170,594	\$5,096,784
State Grant Revenue	<u>1,060,080</u>	<u>1,603,422</u>	<u>2,388,604</u>
Total Capital Contributions	<u>\$3,640,905</u>	<u>\$6,774,016</u>	<u>\$7,485,388</u>

The following chart shows the sources of operating revenue and percentage of operating revenues for the year ended June 30, 2011.



Operating Revenues increased by \$202,704 from \$5,693,560 to \$5,896,264.

✈️ Airline revenue was up by 4.5% or \$83,630 on revenues of \$1,952,081 due to increased landing fees and airline rents.

✈️ Parking revenues were up 9.1% or \$154,514 due primarily to increased passenger traffic.

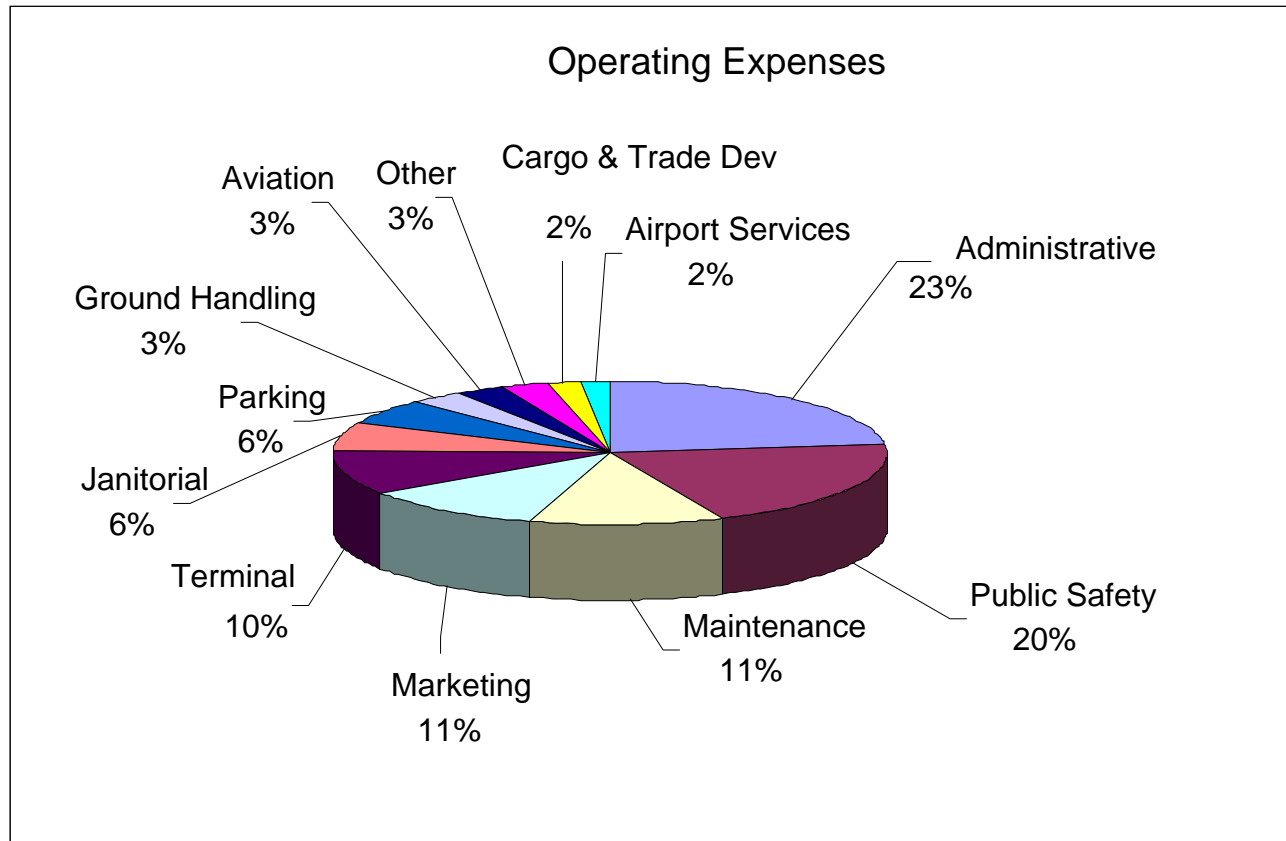
✈️ Rental Car revenue was up \$27,638 or 3.6% largely because of increased passenger traffic.

Operating Expenses:

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2011 and 2010:


Operating Expenses:	<u>FY 2011 Amount</u>	<u>FY 2010 Amount</u>	<u>Increase (Decrease)</u>	
Aviation	\$147,235	109,157	38,078	34.9%
Terminal	539,292	485,255	54,037	11.1%
Air Cargo	21,508	17,258	4,250	24.6%
Other Properties	31,111	30,326	785	2.6%
Public Safety	1,093,412	1,093,843	(431)	0.0%
Maintenance	603,412	565,373	38,039	6.7%
Janitorial	340,479	365,242	(24,763)	-6.8%
Airport Services	84,566	96,505	(11,939)	-12.4%
Marketing	574,471	516,219	58,252	11.3%
Parking	300,153	289,234	10,919	3.8%
Air Cargo & Trade Develop.	115,844	107,495	8,349	7.8%
Engineering Department	55,135	41,720	13,415	32.2%
Administrative	1,227,135	1,165,423	61,712	5.3%
Business Development	-	10,000	(10,000)	n/a
RAC Service Facility – Utilities	32,657	26,497	6,160	23.2%
Ground Handling Services	180,606	181,451	(845)	-0.5%
Small Equipment Expense	-	82	(82)	n/a
Total Operating Expenses	5,347,016	5,101,080	245,936	4.8%

The following pie chart shows the Airport Commission's expenses by category and the percentage of operating expenses for the year ended June 30, 2011.









Operating Expenses Highlights:

Operating Expenses were up by \$245,936 or 4.8% as compared to the previous year. Variation analysis of the Operating Expenses revealed:

 Terminal expenses were up \$54,037 or 11.1% primarily due to plumbing, building & computer repairs/replacements.

 Aviation area expenses were up by \$38,078 or 34.9% due to repairs to airfield & FBO areas and an increase in snow & ice control supply costs.

Operating Expenses Highlights: (Continued)

-  Maintenance costs were up \$38,039 or 6.7% due largely to equipment maintenance cost and fuel increases.
-  Janitorial expenses were down \$24,763 or 6.8% due primarily to reductions in Payroll and Group Insurance costs.
-  Marketing expenses were up \$58,252 or 11.3% because of an increase in Marketing Initiative expenses.
-  Parking expenses were up \$10,919 or 3.8% due primarily to increased payroll costs.
-  Administrative expenses were up \$61,712 or 5.3% due primarily to an increase in legal expenses.
-  Airport Services expenses decreased by \$11,939 or 12.4% due to the elimination of one full-time employee position that was replaced by one part-time employee.

Financial Position Summary

The Balance Sheet presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets and liabilities of the Airport. Net assets are the difference between the total assets and total liabilities.

A condensed summary of the Airport Commission's total net assets for the fiscal years ended June 30:

Year Ended June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current Assets	\$ 3,821,822	\$ 3,745,911	\$ 4,209,851
Capital Assets (net)	63,979,535	62,853,137	57,754,453
Restricted Noncurrent Assets	<u>2,861,602</u>	<u>2,852,157</u>	<u>3,361,289</u>
Total Assets	<u>\$70,662,959</u>	<u>\$69,451,205</u>	<u>\$65,325,593</u>
Current Liabilities	\$2,468,766	\$2,465,317	\$2,724,124
Noncurrent Liabilities	<u>5,170,702</u>	<u>5,927,151</u>	<u>6,652,055</u>
Total Liabilities	<u>\$7,639,468</u>	<u>\$8,392,468</u>	<u>\$9,376,179</u>

Financial Position Summary (Continued)

Year Ended June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested in capital			
assets, net of related debt	\$58,312,190	\$56,595,863	\$50,301,978
Restricted Net Assets	819,966	754,568	806,920
Unrestricted Net Assets	<u>3,891,335</u>	<u>3,708,306</u>	<u>4,840,516</u>
Total Net Assets	<u>\$63,023,491</u>	<u>\$61,058,737</u>	<u>\$55,949,414</u>
Total Liabilities and Net Assets	<u>\$70,662,959</u>	<u>\$69,451,205</u>	<u>\$65,325,593</u>

Airline Rates and Charges

The Airport Commission establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Commission's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues.

The previous operating agreement with the air carriers expired June 30, 2007. In May 2010, the Airport Commission established the following interim rates and charges. The Airport is currently working with the air carriers on the development of a new airline operating and use agreement.

Signatory Airline Rates and Charges

Terminal Square Foot Rate per year	\$31.11
Landing Fee (per 1,000 lbs MGLW)	\$ 1.94
Apron Fee, per Turn	\$ 6.00
Public Safety Reimbursement	50% of Public Safety Budget

Capital Acquisitions and Construction Activities

During fiscal year 2011, several capital improvement projects were started and completed. Listed below are some of the major projects.

Completed Projects

The Terminal Building Improvements – Phase II, completed in the fall of 2010, included a new sprinkler system, asbestos abatement in several areas, roof drain rehabilitation, a baggage screening CT 80 and entrance door installation, which was part of the second phase of the passenger terminal building upgrade. The Terminal Ramp Reconstruction – Phase 4, completed in the spring of 2011, continued the air carrier ramp phased upgrades, with the removal of old asphalt ramp wear surface and new concrete surface replacement and ramp storm sewer upgrades. The Perimeter Security Fence Rehabilitation – Phase II project, completed in fall 2010, include removal of old deteriorated security fencing and replacement of new 8' high standard fence, with a concrete base strip and new access control gates. Completed in the spring of 2011, the General Aviation Ramp Expansion – Phase I, included relocating Aviation Drive which serves the general aviation area, the demolition of the old FAA and Cargo buildings in the ramp area and installing new asphalt pavement, security fencing and aircraft tie-downs for an expanded general aviation ramp. The project also included the purchase of a new snow removal truck and 22' plow for the airfield snow removal operations and to add a taxiway guidance sign and repair sink holes located on the airfield taxiway system. The Airport Runway 5 approach surface was cleared of tree obstructions in the spring of 2011. The Airport received the final Wildlife Hazard Assessment in August 2011 for use in preparing a future Wildlife Hazard Management Plan. The Airport completed the purchase of approximately 9.77 acres between the Runway 23 and Runway 27 safety areas in the summer of 2010.

Current Projects

The Airport is finalizing the PFC funded update to the Airport Master Plan. The Master Plan project includes analysis of airport passenger and facilities demand/capacity/alternatives, financials, an airport layout plan and updating the airfield property map, along with public meetings and presentations to the Commission. The Master Plan forecast was approved by the FAA in March 2010. The Airport has received approval to extend Taxiway R and relocate Hamilton Road to accommodate the taxiway expansion. The project will increase airfield safety during operations and open the south east side of the airport for aviation type development.

The Airport continues with the final stages of construction for a new aircraft storage hangar in the South Aviation development area. The Airport began the General Aviation Terminal Rehabilitation – Phase I project which consists of upgrading the terminal building HVAC, bathrooms, lobby and working area finishes, building entrances and miscellaneous electrical and floor plan upgrades. The Airport will begin the construction and installation of a new general aviation ramp Plane Port to house approximately 10 aircraft. The Airport received a grant from the TSA to install a new mini In-Line Baggage Screening system to serve the airline ticketing area bag make up, distribution and the TSA baggage screening operations. The Airport began two CFC projects for the rental car facilities, including the painting upgrade of the four 10,000 gallon gasoline fuel tanks used by the rental car maintenance facility and the installation of a snow dam system on the rental car ready lot canopies and the rehabilitation of the canopy drainage system.

Capital expenditures are funded from a variety of funding sources. Those funding sources include federal entitlement and discretionary grants, state grants, PFC revenue, CFC revenue, bond proceeds and Airport revenues. Additional information on the Airport's capital assets can be found in the Financial Statement Note 6, Capital Assets and Depreciation.

Debt Administration

The Tri-Cities Airport Commission is a joint venture between four cities and two counties and does not have the authority to borrow funds. In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7 million in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds are to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee, on behalf of the Airport Commission, entered into a \$5 million Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate is 5.54 percent with annual debt service of approximately \$432 thousand dollars. The bonds will mature in twenty years.

The outstanding debt as of June 30, 2011 was \$5,885,000.

In the notes to the financial statements, Note 10 – Long-Term Debt, describes the bonds in more detail and reflects a summary of the repayment structure.

Passenger Facility Charge (PFC)

The Tri-Cities Airport Commission received approval from the FAA to implement a Passenger Facility Charge (PFC) for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8.5 million. The PFC is used to improve airport facilities. In August 1999, the PFC was amended to reduce the first portion to \$5.6 million in collections and to add two additional projects requiring collections of \$5.8 million. In August 2007 the PFC was increased to \$4.50, with two additional projects totaling \$668,500 million and a total combined authority of PFC collections of \$11.190 million.

Customer Facility Charges (CFC)

A Customer Facility Charge (CFC) is a fee charged on each rental car contract that must be used to pay rental car bond debt service and to maintain rental car facilities. A \$6 per contract fee was enacted on November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 in August 2010. As of June 30, 2011, the airport's rental car concessionaires had collected \$2.530 million in Customer Facility Charges.

Economic Factors

On a year-to-year basis, 2010 to 2011, job levels increased 3.6% in Kingsport, 3.1% in Bristol, and 2.5% in Johnson City. Unemployment declined 6.4% in Bristol and 2.3% in Kingsport but rose 4.2% in Johnson City. Matching the regional pattern, labor market conditions have improved in the three cities during each of the past four quarters.

Acknowledgments

This financial report is designed to provide a general overview of the Tri-Cities Airport Commission's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Bill Anderson, Director of Finance, Tri-Cities Airport Commission, Post Office Box 1055, Blountville, TN 37617, telephone (423) 325-6007, or e-mail address of banderson@triflight.com.

Basic Financial Statements



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TRI-CITIES AIRPORT COMMISSION
BALANCE SHEET
June 30, 2011

ASSETS

CURRENT ASSETS

Cash on Hand	\$ 899
Cash in Bank - Checking	1,402,932
Restricted Assets	
Cash in Bank - Passenger Facility Charges	215,987
Cash in Bank - Customer Facility Charges	157,019
PFC Receivable	137,746
Accounts Receivable - Operations (Net of Allowance, \$61,630)	542,517
Grants Receivable	1,297,171
Prepaid Expenses	67,551
	<hr/>
Total Current Assets	3,821,822

NONCURRENT ASSETS

Capital Assets	
Land	13,545,395
Construction in Progress	10,577,897
Runways and Roads	60,675,884
Parking Lot	4,932,987
Terminal Building	14,295,182
Other Buildings	10,328,959
Equipment and Vehicles	9,159,144
Master Plans	612,712
Less: Accumulated Depreciation	(60,148,625)
Net Capital Assets	63,979,535

Restricted Assets

Cash on Deposit with other Governmental Entities - Construction	104,006
Cash on Deposit with other Governmental Entities - Debt Service Reserve	1,058,760
Certificates of Deposit	1,074,304
Certificates of Deposit - Passenger Facility Charges	466,233
Certificates of Deposit - Customer Facility Charges	50,850
Utility Deposits	2,318
Equipment Deposits	27,575
Bond Issue Costs (Net of Accumulated Amortization, \$105,756)	77,556
	<hr/>

Total Noncurrent Assets	<u>66,841,137</u>
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TOTAL ASSETS	<u><u>\$ 70,662,959</u></u>
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(Continued)

TRI-CITIES AIRPORT COMMISSION
BALANCE SHEET
June 30, 2011

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable - Operations	\$ 252,211
Accounts Payable - Construction	900,642
Retainage Payable	155,110
Accrued Expenses	25,998
Accrued Interest	49,271
Accrued Wages	143,559
Accrued Compensated Absences	175,635
Bonds Payable	<u>750,000</u>

Total Current Liabilities	<u>2,452,426</u>
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NONCURRENT LIABILITIES

Bonds Payable	5,135,000
Deferred Bond Refunding	(33,085)
Deposits from Leasees	7,250
Accrued Compensated Absences	16,340
Unearned Revenue	<u>61,537</u>

Total Noncurrent Liabilities	<u>5,187,042</u>
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TOTAL LIABILITIES	<u>7,639,468</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	58,312,190
Restricted - Passenger Facility Charge	819,966
Unrestricted	<u>3,891,335</u>

TOTAL NET ASSETS	<u>63,023,491</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 70,662,959</u></u>
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The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING REVENUES

Airline Revenue	
Landing Fees	\$ 585,775
Rents	1,366,306
Total Airline Revenue	<u>1,952,081</u>
Non-Airline Revenues	
General Aviation	669,528
Air Cargo	51,394
Parking Revenue	1,858,862
Rental Car Revenue	792,309
Terminal Concessions	136,885
Terminal Space Rents	127,132
Other Revenues	308,073
Total Non-Airline Revenues	<u>3,944,183</u>
Total Operating Revenues	<u>5,896,264</u>

OPERATING EXPENSES

Aviation Area	
Utilities	39,986
Maintenance - Buildings	23,975
Power Vault - Diesel Fuel and Maintenance	4,205
Runway, Taxiway and Field Maintenance	9,646
Lighting and Electrical Maintenance	19,647
Field and Gate Maintenance	5,240
Snow and Ice Control	29,779
Ramps and Aprons	2,126
Equipment Rental	2,331
Environmental Compliance	9,028
Air Traffic Control Service	1,272
Total Aviation Area	<u>147,235</u>
Terminal Area	
Electricity	281,003
Heating Fuel	24,325
Water and Sewer	56,829
Telephone	7,120
Electrical Maintenance	7,878
HVAC Maintenance	24,765
Building Repairs and Parts	25,109
Plumbing	27,103
Equipment and Furnishings	3,923
Roadway, Parking Lots and Field Maintenance Expense	22,406
Elevator Contract	30,859
Trash Removal Contract	15,384
Other Contractual Services	12,588
Total Terminal Area	<u>539,292</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

Air Cargo Center		
Utilities		17,239
Heating Fuel		2,701
Trash Removal		1,044
Repairs and Maintenance		524
Total Air Cargo		<u>21,508</u>
Other Properties		
Office Annex		
Utilities	26,472	
Heating Fuel	3,070	
HVAC Maintenance	319	
Building Repairs	194	
Total Office Annex	<u>30,055</u>	
Other Property - Land and Buildings	<u>1,056</u>	
Total Other Properties		<u>31,111</u>
General Area - Public Safety		
Salaries		647,574
FICA Contributions and Unemployment		49,146
Retirement		96,271
Insurance		152,738
General Personnel Expense		13,234
Fire Hall Expense		11,469
Security - Parking and Identification		5,300
Medical Supplies		936
Vehicle Fuel		21,081
Supplies		3,978
Equipment Maintenance		22,159
Training		16,652
Uniforms		1,118
Dues and Subscriptions		672
Office Supplies		812
Telephone		4,935

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

General Area - Public Safety (continued)

Access Control	40,138
Seminars / Conferences	3,514
Medical and Psychological Testing	1,685
Total General Area - Public Safety	<u>1,093,412</u>

General Area - Maintenance

Salaries	312,771
FICA Contributions and Unemployment	23,221
Retirement	58,763
Insurance	104,650
General Personnel Expense	3,148
Utilities	12,008
Heating Fuel	2,507
Repairs and Maintenance	34,057
Gas and Oil	24,474
Small Tools	5,971
Uniforms - Maintenance	5,577
Supplies	9,957
Training	6,308
Total General Area - Maintenance	<u>603,412</u>

General Area - Janitorial

Salaries	211,884
FICA Contributions and Unemployment	15,828
Retirement	31,896
Insurance	39,538
General Personnel Expense	3,378
Supplies	33,804
Repairs and Maintenance	557
Uniforms	2,927
Snow Removal and Other	667
Total General Area - Janitorial	<u>340,479</u>

General Area - Airport Services

Salaries	55,961
FICA Contributions and Unemployment	4,306
Retirement	7,799
Insurance	12,197
General Personnel Expense	1,744
Supplies	1,882
Uniforms	677
Total General Area - Airport Services	<u>84,566</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

General Area - Public Safety (continued)

Access Control	40,138
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Total General Area - Airport Services	<u>84,566</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

Marketing	
Salaries	155,173
FICA Contributions and Unemployment	11,633
Retirement	28,339
Insurance	24,494
General Personnel Expense	1,135
Advertising	1,575
Research and Development	13,965
Consulting Services	26,744
Marketing Initiative	273,075
Program Materials	11,143
Airline Relations	3,749
Community Relations	1,154
Travel	11,978
Professional Affiliations	737
Office Supplies	9,577
Total Marketing	<u>574,471</u>

Administrative

Salaries	494,432
FICA Contributions and Unemployment	37,819
Retirement	94,679
Medical Insurance	73,429
General Personnel Expense	16,061
Accounting	41,000
Legal	69,644
Insurance	235,455
Dues and Subscriptions	16,559
Consulting Service	24,301
Office Supplies	18,852
Telephone	15,674
Maintenance	8,149
Seminars and Conferences	26,470
General Administrative Expense	19,433
Postage and Handling	3,331
Miscellaneous Equipment	332
Bad Debt	31,515
Total Administrative	<u>1,227,135</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	6,868
Contract Services	2,250
Professional Affiliations	1,257
Total Foreign Trade Zone	<u>10,375</u>

Administrative

Travel / Auto	8,297
Supplies, Furniture and Fixtures	3,074
Total Administrative	<u>11,371</u>

Personnel

Salaries	62,135
FICA Contributions and Unemployment	4,694
Medical Insurance	15,482
General Personnel Expense	440
Retirement Expense	11,347
Total Personnel	<u>94,098</u>

Total Air Cargo and Trade Development	<u>115,844</u>
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Parking

Salaries	181,688
FICA Contributions and Unemployment	14,949
General Personnel Expense	11,738
Uniforms	588
Supplies	2,109
Ticket and Printing Expense	1,345
Office Supplies	3,051
Repairs and Maintenance	7,693
Liability Insurance	300
Utilities	7,799
Postage and Freight	436
Telephone	3,657
Recruiting	267
Financial Services	1,862
Credit Card Discount	34,501
Miscellaneous	3,893
Management Fee	24,277
Total Parking	<u>300,153</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING EXPENSES (Continued)

Engineering	
Salaries	18,212
FICA Contributions and Unemployment	5,171
Retirement	13,136
Insurance	9,467
General Personnel Expense	488
Supplies	4,036
Equipment Maintenance	477
Miscellaneous	250
Training and Seminars	1,912
Dues and Subscriptions	1,986
Total Engineering	<u>55,135</u>

RAC Service Facility

Utilities	32,657
Total RAC Service Facility	<u>32,657</u>

Ground Handling Services

Salaries	135,502
FICA Contributions and Unemployment	10,481
General Personnel Expense	25,854
Supplies	657
Equipment and Maintenance	4,993
Miscellaneous	3,119
Total Ground Handling Services	<u>180,606</u>

Total Operating Expenses	<u>5,347,016</u>
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(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

Operating Income before Depreciation and Amortization	549,248
Less: Depreciation	3,148,163
Amortization	<u>13,500</u>
Operating Loss	<u>(2,612,415)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	31,380
Interest Expense	(329,342)
Management Fees	(480)
PFC Revenue	879,296
CFC Revenue	<u>355,410</u>
Total Nonoperating Revenues (Expenses)	<u>936,264</u>
Loss before Capital Contributions	<u>(1,676,151)</u>
CAPITAL CONTRIBUTIONS	
Federal Grant Revenue	2,580,825
State Grant Revenue	<u>1,060,080</u>
Total Capital Contributions	<u>3,640,905</u>
CHANGE IN NET ASSETS	1,964,754
TOTAL NET ASSETS, JULY 1	<u>61,058,737</u>
TOTAL NET ASSETS, JUNE 30	<u><u>\$ 63,023,491</u></u>

The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 5,753,038
Cash Payments to Suppliers for Goods and Services	(1,955,865)
Cash Payments to Employees for Services	(2,254,986)
Cash Payments for Employee Benefits	(1,024,075)
Cash Payments for Insurance	<u>(208,614)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>309,498</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(4,172,542)
Capital Grants Received	3,859,505
PFC Funds Received	862,463
CFC Funds Received	355,410
Interest Paid	(325,425)
Principal Paid on Long-Term Debt	<u>(720,000)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(140,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(330,337)
Sale of Investments	309,564
Interest Received	31,380
Cash Paid for Management Fees	<u>(480)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>10,127</u>
NET INCREASE IN CASH	179,036
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,760,567</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,939,603</u></u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (2,612,415)
Adjustments	
Depreciation	3,148,163
Amortization	13,500
(Increase) Decrease in Assets	
Accounts Receivable	(127,893)
Prepaid Insurance Expense	26,841
Utility Deposits	239
Increase (Decrease) in Liabilities	
Accounts Payable	(144,948)
Accrued Expenses	998
Accrued Vacation	2,795
Accrued Wages	15,901
Accrued Compensation	1,650
Deferred Revenue	<u>(15,333)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 309,498

RECONCILIATION TO BALANCE SHEET

Cash on Hand	\$ 899
Cash in Bank - Checking	1,402,932
Cash in Bank - Passenger Facility Charges	215,987
Cash in Bank - Customer Facility Charges	157,019
Cash on Deposit with other Governmental Entities - Construction	104,006
Cash on Deposit with other Governmental Entities - Debt Service Reserve	<u>1,058,760</u>

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,939,603

The accompanying notes are an integral part of these basic financial statements.

Notes to the Basic Financial Statements



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TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Tri-Cities Airport Commission (the “Commission”) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)* statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Commission has elected not to implement FASB ASC issued thereafter, unless they are adopted by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Commission are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Commission include the cost of sales and services, administrative expenses, and amortization and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements, insurance claims greater than coverage, or are otherwise held for certain capital improvement projects.

Accounts Receivable

Accounts receivable are reported at the net realizable amounts from third party payors, leasee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Commission as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years

Investments and Cash Equivalents

Investments are recorded at fair values as determined by quoted market prices at the balance sheet date. Investments that have an original maturity of three months or less are considered cash equivalents for purposes of the statement of cash flows.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the term of the bond issue.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations on their use by external restrictions imposed by other governments, creditors or grantors.

Budgets

Under the by-laws of the Commission, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Commission is not required to demonstrate statutory compliance with annual operating or capital improvements budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at year end.

NOTE 2 - GENERAL INFORMATION

The Commission is jointly owned and administered by the following governmental agencies:

	<u>Ownership</u>	<u>Representation</u>
Washington County, Tennessee	20 Percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

A separate enterprise fund is maintained for the Commission and the owners do not record any balances for the Commission.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash on the statements of net assets and cash flows include cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. There are some certificates of deposit that have an original maturity of greater than three months. These are shown as non-current restricted assets.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Certificates of Deposit: are covered by FDIC insurance or by the state collateral pool. The Commission is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Commission ensures that bank balances within excess of the FDIC coverage are held within financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

DEPOSITS - All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

NOTE 4 - DEBT SERVICE RESERVE

The debt service account was funded from restricted assets of the Commission. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest bearing account. These monies are to be used only to the extent that the funds in the principal and interest account are insufficient to cover principal and interest requirements for the bonds described in Note 10.

NOTE 5 - PREPAID EXPENSES

Payments made for insurance that will benefit periods beyond June 30, 2011 are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	<u>\$67,551</u>
Total Prepaid Expenses	<u>\$67,551</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 13,074,312	471,083	-	13,545,395
Construction in Progress	10,646,720	3,774,160	(3,842,983)	10,577,897
Total Capital Assets, Not Being Depreciated	23,721,032	4,245,243	(3,842,983)	24,123,292
Capital Assets, Being Depreciated				
Runways and Roads	57,774,993	2,900,891	-	60,675,884
Parking Lot	4,932,987	-	-	4,932,987
Terminal Building	14,295,182	-	-	14,295,182
Other Buildings	10,306,256	22,703	-	10,328,959
Equipment and Vehicles	8,258,162	948,706	(47,724)	9,159,144
Master Plans	612,712	-	-	612,712
Total Capital Assets, Being Depreciated	96,180,292	3,872,300	(47,724)	100,004,868
Accumulated Depreciation				
Runways and Roads	(35,985,666)	(1,741,608)	-	(37,727,274)
Parking Lot	(1,542,009)	(230,757)	-	(1,772,766)
Terminal Building	(7,897,277)	(456,236)	-	(8,353,513)
Other Buildings	(4,422,607)	(297,077)	-	(4,719,684)
Equipment and Vehicles	(6,747,660)	(404,525)	47,724	(7,104,461)
Master Plans	(452,967)	(17,960)	-	(470,927)
Total Accumulated Depreciation	(57,048,186)	(3,148,163)	47,724	(60,148,625)
Net Capital Assets, Being Depreciated	39,132,106	724,137	-	39,856,243
Net Capital Assets	\$ 62,853,138	4,969,380	(3,842,983)	63,979,535

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - RESTRICTED ASSETS

The Commission established a self-insurance contingency fund during the year ended June 30, 1987. The plan required initial funding of \$500,000. During the year ended June 30, 1990, an additional \$200,000 was added. Funding for successive years is subject to majority vote of the Commission. Withdrawals from the fund will only be allowed by a two-thirds vote of the Commission. During the current fiscal year, withdrawal from the restricted funds were approved by the Commission for the purpose of securing the purchase of six lots in the Grande Harbor subdivision. The balance in the money market and certificates of deposit at June 30, 2011 is \$1,074,304.

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects associated with the rental car enterprises.

Cash on deposit with other governmental entities is restricted for use on capital improvement projects.

NOTE 8 - ACCRUED COMPENSATION

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and should be used during the year; however, unused vacation time of up to 120 hours can be carried forward into the next year. The carry forward amount cannot accumulate for more than a one year period and the carry forward balance cannot exceed 120 hours at any time.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Commission for accumulated sick days.

The Safety Department may accumulate additional leave for overtime hours worked in lieu of immediate payment. This amount is accrued at the present pay rate multiplied by those hours, which are adjusted to reflect time and a half.

NOTE 9 - LONG-TERM DEBT

Airport Revenue and Tax Refunding, Series 2003 Bonds

The \$5,540,000 Airport Revenue and Tax Refunding bonds, Series 2003 were issued August 1, 2003 by Sullivan County, Tennessee for the purpose of providing funds to refinance in advance of its maturity the Commission's outstanding Airport Revenue and Tax Bonds, Series 1995 dated July 1, 1995, maturing May 1, 2015.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding, Series 2003 Bonds (continued)

The bonds are payable primarily from and secured by a pledge and assignment of PFC and operating revenues from the Commission. The bonds will mature serially each May 1, beginning May 1, 2004 and ending May 1, 2015. Interest rates are scheduled and vary from 3.25% to 4.35%. Interest payments are due semi-annually on May 1st and November 1st, beginning November 1, 2003.

Airport Revenue and Tax, Series 2003 Bonds

On August 1, 2003, Sullivan County, Tennessee issued \$5,000,000 of Airport Revenue and Tax Bonds, Series 2003 for the purpose of providing funds to construct improvements to the Airport, consisting of, but not limited to the construction of additional parking facilities, construction of a rental car Ready/Return Area, construction of a rental car service facility, and construction of a new cargo center in and for the Airport, and to pay the costs incident thereto and costs incident to the issuance, sale and delivery of the bonds.

The bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Commission. The Bonds will mature serially each May 1, beginning May 1, 2005 and ending May 1, 2023. Interest rates vary from 4.25% to 5.80%. Interest payments are due semi-annually on May 1st and November 1st, beginning November 1, 2003.

Total Airport Revenue and Tax Refunding bonds debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Annual Interest	Total Debt Service
2012	\$ 750,000	295,625	1,045,625
2013	785,000	263,488	1,048,488
2014	820,000	228,816	1,048,816
2015	845,000	191,777	1,036,777
2016	275,000	152,290	427,290
2017-2021	1,610,000	493,200	2,103,200
2022-2023	800,000	70,180	870,180
	<u>\$ 5,885,000</u>	<u>1,695,376</u>	<u>7,580,376</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding bonds issued August 1, 2003 debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2012	\$ 525,000	93,360	618,360
2013	550,000	72,360	622,360
2014	570,000	49,673	619,673
2015	585,000	25,447	610,447
	\$ 2,230,000	240,840	2,470,840

Airport Revenue and Tax bonds issued August 1, 2003 debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2012	\$ 225,000	202,265	427,265
2013	235,000	191,128	426,128
2014	250,000	179,143	429,143
2015	260,000	166,330	426,330
2016	275,000	152,290	427,290
2017-2021	1,610,000	493,200	2,103,200
2022-2023	800,000	70,180	870,180
	\$ 3,655,000	1,454,536	5,109,536

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 6,605,000	-	(720,000)	5,885,000	750,000
Compensated Absences	187,530	133,001	(128,556)	191,975	175,635
Total Long-Term Liabilities	<u>\$ 6,792,530</u>	<u>133,001</u>	<u>(848,556)</u>	<u>6,076,975</u>	<u>925,635</u>

NOTE 10 - PENSION PLAN

PLAN DESCRIPTION

Employees of the Commission are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Commission participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - PENSION PLAN (CONTINUED)

FUNDING POLICY

The Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.00% of annual covered payroll.

The Commission is required to contribute at an actuarially determined rate. The rate for the year ending June 30, 2011 was 18.13% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Commission is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2011, the Commission's annual pension cost of \$348,867 to TCRS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.50% a year compounded annually, (b) projected 3.00% annual rate of inflation (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.50% percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.50% percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period.

The Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2011	\$348,867	100.00%	\$0.00
June 30, 2010	\$372,940	100.00%	\$0.00
June 30, 2009	\$370,106	100.00%	\$0.00

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 - PENSION PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent actuarial valuation date, the plan was 75.64% percent funded. The actuarial accrued liability for benefits was \$7.0 million, and the actuarial value of assets was \$5.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.0 million, and the ratio of the UAAL to the covered payroll was 83.54% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar Amounts in Thousands)

	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
		(AAL)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(UAAL) Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/09	\$ 5,296	\$ 7,001	\$ 1,705	75.64%	\$ 2,041	83.54%
07/01/07	\$ 5,043	\$ 6,671	\$ 1,628	75.60%	\$ 1,904	85.50%

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 11 - RISK MANAGEMENT ACTIVITIES

The Commission carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by AIG.

The Commission has an investment account restricted as a self-insurance contingency fund to cover any claims not covered by insurance. There have been no claims paid from this fund over the past seven years (See Note 7). In addition, the Commission provides medical insurance through United Healthcare. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past six fiscal years.

NOTE 12 - LITIGATION

The Commission is involved in various legal proceedings arising in the normal course of business. To the extent the outcome of such litigation has been determined to result in probable loss to the Commission, such loss for which the Commission is responsible for funding has been accrued in the accompanying financial statements. Litigation where loss to the Commission is reasonably possible has not been accrued; however, the Commission and Attorney for the Commission have identified a single event which is both probable and estimateable. The Commission's legal Counsel estimates such loss to total \$75,000.

The Commission holds a private insurance policy which has an aggregate deductible of \$25,000; therefore, the Commission has accrued \$25,000 that is the maximum liability to the Commission.

The Commission and Attorney for the Commission believes that, with the exception in the above paragraph, the various asserted claims and litigation will not materially affect its financial position, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 13 - DISADVANTAGED - OWNED BUSINESS EXPENSES

The Commission's disadvantaged-owned business goals were as follows:

<u>Project</u>	<u>Goal</u>	<u>Actual</u>
AIP-3-47-004-53	5.30%	Not Completed
AIP-3-47-004-54	5.30%	Not Completed
AIP-3-47-004-55	4.30%	Not Completed
AIP-3-47-004-60	5.30%	Not Completed

NOTE 14 - ECONOMIC DEPENDENCY

The Commission obtains substantially all of its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Commission has entered into approximately \$1,870,000 of construction contract commitments that had begun and were in-process at year-end 2011. These construction contract commitments will be paid primarily with capital grants.

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Required Supplemental Schedule



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TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2011

(Dollar Amounts in Thousands)						
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
		(AAL)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(UAAL) Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/09	\$ 5,296	\$ 7,001	\$ 1,705	75.64%	\$ 2,041	83.54%
07/01/07	\$ 5,043	\$ 6,671	\$ 1,628	75.60%	\$ 1,904	85.50%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

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Supplemental Schedules



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TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

CFDA Number	Grantor Agency	Grant Number	Program Description	Balance July 1, 2010	Cash Receipts	Expenditures ¹	Adjustments ³	Balance June 30, 2011 ²
20.106	Federal Aviation Administration	AIP 3-47-0004-48	South Aviation Development Area	\$ -	29,908	-	29,908	-
		AIP 3-47-0004-50	Terminal Ramp Reconstruction	170,524	164,205	-	(6,319)	-
		AIP 3-47-0004-51	Land, Airfield Marking and Rubber Removal	-	28,884	193	28,691	-
		AIP 3-47-0004-52	Perimeter Security Fence	28,016	28,016	-	-	-
		AIP 3-47-0004-53	Terminal Ramp Reconstruction - Phase II	297	8,314	75,965	-	67,948
		AIP 3-47-0004-54	Terminal Ramp Reconstruction - Phase III, and Security Fence - Phase II and Friction Decelerometer	710,027	896,679	291,529	-	104,877
		AIP 3-47-0004-55	Runway Rehabilitation and Road Relocation Design	65,944	449,754	456,841	-	73,031
		AIP 3-47-0004-59	Land Acquisition: Mapleview Farms	2,805	3,557	752	-	-
		AIP 3-47-0004-60	Sinkhole Repairs, Signage, Building Demo and Snow Plow	-	1,387,854	1,703,265	-	315,411
				<u>\$ 977,613</u>	<u>2,997,171</u>	<u>2,528,545</u>	<u>52,280</u>	<u>561,267</u>

¹ This Schedule reflects the federal grantor's share of the expenditures.

² These balances represent amounts due from the grantor.

³ These balances represent an amendment to the approved federal budget or prior year expenditures.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tri-Cities Airport Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-51
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition RW 23 Approach	\$ -	423,404	423,404	-	-
Runway Rubber Removal and Airfield Pavement Markings	203	383,573	383,573	-	-
Runway 5/23 Rubber Removal Costs	-	36,960	36,960	-	-
	<u>\$ 203</u>	<u>843,937</u>	<u>843,937</u>	<u>0</u>	<u>0</u>
<u>Share of Cost (Share of Rubber Removal and Markings)</u>					
Federal Grant (95%)	\$ 193	766,628	766,628	-	-
State Grant (2.5%)	5	20,174	20,174	-	-
Tri-Cities Airport Commission	5	20,175	20,175	-	-
	<u>203</u>	<u>806,977</u>	<u>806,977</u>	<u>0</u>	<u>0</u>
<u>Share of Cost (Runway 5/23 Rubber Removal)</u>					
State Grant (90%)	-	33,264	33,264	-	-
Tri-Cities Airport Commission	-	3,696	3,696	-	-
	<u>0</u>	<u>36,960</u>	<u>36,960</u>	<u>0</u>	<u>0</u>
	<u>\$ 203</u>	<u>843,937</u>	<u>843,937</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-53
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 79,964	1,333,963	1,353,960	19,997	-
	<u>\$ 79,964</u>	<u>1,333,963</u>	<u>1,353,960</u>	<u>19,997</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 75,965	1,267,265	1,286,262	18,997	-
State Grant (2.5%)	1,999	33,349	33,849	500	-
Tri-Cities Airport Commission	<u>2,000</u>	<u>33,349</u>	<u>33,849</u>	<u>500</u>	<u>-</u>
	<u>\$ 79,964</u>	<u>1,333,963</u>	<u>1,353,960</u>	<u>19,997</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-54
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction - Phase III	\$ 225,993	2,144,847	2,190,264	45,417	-
Security Fence Rehab - Phase II	80,880	1,065,882	1,061,406	(4,476)	-
Friction Decelerometer	-	4,668	4,650	(18)	-
	<u>\$ 306,873</u>	<u>3,215,397</u>	<u>3,256,320</u>	<u>40,923</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 291,529	3,054,627	3,097,754	43,127	-
State Grant (2.5%)	6,570	79,283	79,283	-	-
Tri-Cities Airport Commission	8,774	81,487	79,283	(2,204)	-
	<u>\$ 306,873</u>	<u>3,215,397</u>	<u>3,256,320</u>	<u>40,923</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-55
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23Rehabilitation - Design	\$ 95,044	219,958	365,300	145,342	-
Road Relocation - Design	385,841	468,707	579,937	111,230	-
	<u>\$ 480,885</u>	<u>688,665</u>	<u>945,237</u>	<u>256,572</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 456,841	654,231	897,975	243,744	-
State Grant (2.5%)	12,022	17,217	23,631	6,414	-
Tri-Cities Airport Commission	12,022	17,217	23,631	6,414	-
	<u>\$ 480,885</u>	<u>688,665</u>	<u>945,237</u>	<u>256,572</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-59
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition - Mapleview Farms	\$ 792	380,648	388,000	7,352	-
	<u>\$ 792</u>	<u>380,648</u>	<u>388,000</u>	<u>7,352</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 752	361,615	368,600	6,985	-
State Grant (2.5%)	20	9,516	9,700	184	-
Tri-Cities Airport Commission	<u>20</u>	<u>9,517</u>	<u>9,700</u>	<u>183</u>	<u>-</u>
	<u>\$ 792</u>	<u>380,648</u>	<u>388,000</u>	<u>7,352</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-60
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Sinkhole Repair and Signage	\$ 37,790	37,790	39,750	1,960	-
Building Demolition	1,362,512	1,362,512	1,421,577	59,065	-
Snow Plow	392,609	392,609	400,000	7,391	-
	<u>\$ 1,792,911</u>	<u>1,792,911</u>	<u>1,861,327</u>	<u>68,416</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,703,265	1,703,265	1,768,261	64,996	-
State Grant (2.5%)	44,823	44,823	46,914	2,091	-
Tri-Cities Airport Commission	44,823	44,823	46,152	1,329	-
	<u>\$ 1,792,911</u>	<u>1,792,911</u>	<u>1,861,327</u>	<u>68,416</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2011

CFDA				Balance	Cash			Balance
Number	Grantor Agency	Grant Number	Program Description	July 1, 2010	Receipts	Expenditures ¹	Adjustments ³	June 30, 2011 ²
N/A	TN Dept. of Transportation	82-555-0799-04	Terminal Sound System Improvements	\$ 59,822	74,091	20,553	-	6,284
		82-555-1003-04	South Aviation Development	17,550	17,550	3,848	-	3,848
		82-555-1004-04	Terminal Building Exit System Upgrade	66,586	33,087	7,949	-	41,448
		82-555-1009-04	Terminal Ramp Reconstruction (AIP 50)	6,874	-	-	-	6,874
		82-555-1011-04	Perimeter Security Fence (AIP 52)	2,126	1,389	-	(737)	-
		82-555-1013-04	Professional Services	2,251	-	-	(1)	2,250
		82-555-1014-04	East GA Hangar Roof Replacement	9,415	9,415	-	-	-
		82-555-1015-04	Rubber Removal, Payment Markings, and Land (AIP 51)	-	-	5	(5)	-
		82-555-1016-04	Terminal Ramp Reconstruction Phase II (AIP 53)	31,351	30,364	1,999	-	2,986
		82-555-1017-04	Runway 5/23 Rehabilitation and Road Relocation (AIP 55)	5,195	-	12,022	-	17,217
		82-555-1019-04	Glycol and Fuel Farm	13,003	16,925	6,976	-	3,054
		82-555-1020-04	Terminal Building Phase II	73,688	234,449	161,550	-	789
		82-555-1021-04	Terminal Ramp Phase II, Security Fence Phase II and Friction Decelerometer (AIP 54)	21,857	23,258	6,570	-	5,169
		82-555-1022-04	Aviation Drive Relocation	36,353	36,114	18	(239)	18
		82-555-1024-04	South Aviation Dev. Manager	69,372	259,344	720,446	-	530,474
		82-555-1026-04	Wildlife Management Assessment	506	-	21,015	-	21,521
		82-555-1027-04	Security and Maintenance Vehicles	23,616	24,726	1,137	-	27
		82-555-1100-04	Sinkhole Repair and Signage (AIP 60)	-	-	945	-	945
		82-555-1105-04	Land Acquisition - Mapleview Farms (AIP 59)	9,496	-	20	-	9,516
		82-555-1702-04	North Ramp Plane Port	18,936	21,108	5,245	-	3,073
		82-555-1703-04	G.A. Terminal Rehab	38,644	48,997	14,706	-	4,353
		Applied For	Snow Plow and Building Demolition (AIP 60)	-	-	43,878	-	43,878
		82-555-1704-04	Obstruction Removal Runway 5	-	-	32,180	-	32,180
				<u>\$ 506,641</u>	<u>830,817</u>	<u>1,061,062</u>	<u>(982)</u>	<u>735,904</u>

¹ This Schedule reflects the state grantor's share of the expenditures.

² These balances represent amounts due from the grantor.

³ These balances represent rounding, amendments or expired grant.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-0799-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Sound System Improvements	\$ 22,837	401,305	405,000	3,695	-
	<u>\$ 22,837</u>	<u>401,305</u>	<u>405,000</u>	<u>3,695</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 20,553	361,175	364,500	3,325	-
Tri-Cities Airport Commission	<u>2,284</u>	<u>40,130</u>	<u>40,500</u>	<u>370</u>	<u>-</u>
	<u>\$ 22,837</u>	<u>401,305</u>	<u>405,000</u>	<u>3,695</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1003-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
South Aviation Development	\$ 4,276	1,624,243	1,891,406	267,163	-
	<u>\$ 4,276</u>	<u>1,624,243</u>	<u>1,891,406</u>	<u>267,163</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 3,848	1,461,818	1,702,266	240,448	-
Tri-Cities Airport Commission	<u>428</u>	<u>162,425</u>	<u>189,140</u>	<u>26,715</u>	<u>-</u>
	<u>\$ 4,276</u>	<u>1,624,243</u>	<u>1,891,406</u>	<u>267,163</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1004-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building Exit System Upgrade	\$ 8,832	832,674	852,634	19,960	-
	<u>\$ 8,832</u>	<u>832,674</u>	<u>852,634</u>	<u>19,960</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 7,949	749,407	767,370	17,963	-
Tri-Cities Airport Commission	<u>883</u>	<u>83,267</u>	<u>85,264</u>	<u>1,997</u>	<u>-</u>
	<u>\$ 8,832</u>	<u>832,674</u>	<u>852,634</u>	<u>19,960</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1015-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition RW 23 Approach	\$ -	423,404	423,404	-	-
Runway Rubber Removal and Airfield Pavement Markings	203	383,573	383,573	-	-
Runway 5/23 Rubber Removal Costs	-	36,960	36,960	-	-
	<u>\$ 203</u>	<u>843,937</u>	<u>843,937</u>	<u>0</u>	<u>0</u>
<u>Share of Cost (Share of Rubber Removal and Markings)</u>					
Federal Grant (95%)	\$ 193	766,628	766,628	-	-
State Grant (2.5%)	5	20,174	20,174	-	-
Tri-Cities Airport Commission	5	20,175	20,175	-	-
	<u>203</u>	<u>806,977</u>	<u>806,977</u>	<u>0</u>	<u>0</u>
<u>Share of Cost (Runway 5/23 Rubber Removal)</u>					
State Grant (90%)	-	33,264	33,264	-	-
Tri-Cities Airport Commission	-	3,696	3,696	-	-
	<u>0</u>	<u>36,960</u>	<u>36,960</u>	<u>0</u>	<u>0</u>
	<u>\$ 203</u>	<u>843,937</u>	<u>843,937</u>	<u>0</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1016-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 79,964	1,333,963	1,353,960	19,997	-
	<u>\$ 79,964</u>	<u>1,333,963</u>	<u>1,353,960</u>	<u>19,997</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 75,965	1,267,265	1,286,262	18,997	-
State Grant (2.5%)	1,999	33,349	33,849	500	-
Tri-Cities Airport Commission	<u>2,000</u>	<u>33,349</u>	<u>33,849</u>	<u>500</u>	<u>-</u>
	<u>\$ 79,964</u>	<u>1,333,963</u>	<u>1,353,960</u>	<u>19,997</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1017-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab	\$ 95,044	177,910	365,300	187,390	
Road Relocation Design	385,841	510,755	579,937	69,182	-
	<u>\$ 480,885</u>	<u>688,665</u>	<u>945,237</u>	<u>256,572</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 456,841	654,231	897,975	243,744	-
State Grant (2.5%)	12,022	17,217	23,631	6,414	-
Tri-Cities Airport Commission	12,022	17,217	23,631	6,414	-
	<u>\$ 480,885</u>	<u>688,665</u>	<u>945,237</u>	<u>256,572</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1019-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Glycol and Fuel Farm	\$ 7,751	149,616	205,000	55,384	-
	<u>\$ 7,751</u>	<u>149,616</u>	<u>205,000</u>	<u>55,384</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 6,976	134,654	184,500	49,846	-
Tri-Cities Airport Commission	<u>775</u>	<u>14,962</u>	<u>20,500</u>	<u>5,538</u>	<u>-</u>
	<u>\$ 7,751</u>	<u>149,616</u>	<u>205,000</u>	<u>55,384</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1020-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building - Phase II	\$ 179,500	897,161	913,968	16,807	-
	<u>\$ 179,500</u>	<u>897,161</u>	<u>913,968</u>	<u>16,807</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 161,550	807,445	822,571	15,126	-
Tri-Cities Airport Commission	<u>17,950</u>	<u>89,716</u>	<u>91,397</u>	<u>1,681</u>	<u>-</u>
	<u>\$ 179,500</u>	<u>897,161</u>	<u>913,968</u>	<u>16,807</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1021-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction - Phase III	\$ 225,993	2,144,847	2,190,264	45,417	-
Security Fence Rehab - Phase II	80,880	1,065,882	1,061,406	(4,476)	-
Friction Decelerometer	-	4,668	4,650	(18)	-
	<u>\$ 306,873</u>	<u>3,215,397</u>	<u>3,256,320</u>	<u>40,923</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 291,529	3,054,627	3,097,754	43,127	-
State Grant (2.5%)	6,570	79,283	79,283	-	-
Tri-Cities Airport Commission	8,774	81,487	79,283	(2,204)	-
	<u>\$ 306,873</u>	<u>3,215,397</u>	<u>3,256,320</u>	<u>40,923</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1022-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Aviation Drive Relocation	\$ 20	40,147	47,300	7,153	-
	<u>\$ 20</u>	<u>40,147</u>	<u>47,300</u>	<u>7,153</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 18	36,132	42,570	6,438	-
Tri-Cities Airport Commission	<u>2</u>	<u>4,015</u>	<u>4,730</u>	<u>715</u>	<u>-</u>
	<u>\$ 20</u>	<u>40,147</u>	<u>47,300</u>	<u>7,153</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1024-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
S. Aviation Dev. Hangar - Design	\$ 43,122	173,796	257,160	83,364	-
S. Aviation Dev. Hangar - Construction	<u>757,374</u>	<u>757,374</u>	<u>1,926,508</u>	<u>1,169,134</u>	<u>-</u>
	<u>\$ 800,496</u>	<u>931,170</u>	<u>2,183,668</u>	<u>1,252,498</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 720,446	838,053	1,965,302	1,127,249	-
Tri-Cities Airport Commission	<u>80,050</u>	<u>93,117</u>	<u>218,366</u>	<u>125,249</u>	<u>-</u>
	<u>\$ 800,496</u>	<u>931,170</u>	<u>2,183,668</u>	<u>1,252,498</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1026-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Wildlife Hazard Assessment	\$ 23,350	23,912	40,000	16,088	-
	<u>\$ 23,350</u>	<u>23,912</u>	<u>40,000</u>	<u>16,088</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 21,015	21,521	36,000	14,479	-
Tri-Cities Airport Commission	<u>2,335</u>	<u>2,391</u>	<u>4,000</u>	<u>1,609</u>	<u>-</u>
	<u>\$ 23,350</u>	<u>23,912</u>	<u>40,000</u>	<u>16,088</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-55-1027-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Security and Maintenance Vehicles	\$ 1,263	92,309	96,000	3,691	-
	<u>\$ 1,263</u>	<u>92,309</u>	<u>96,000</u>	<u>3,691</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 1,137	83,079	86,400	3,321	-
Tri-Cities Airport Commission	<u>126</u>	<u>9,230</u>	<u>9,600</u>	<u>370</u>	<u>-</u>
	<u>\$ 1,263</u>	<u>92,309</u>	<u>96,000</u>	<u>3,691</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1100-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Sinkhole Repair and Signage	\$ 37,790	37,790	39,750	1,960	-
	<u>\$ 37,790</u>	<u>37,790</u>	<u>39,750</u>	<u>1,960</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 35,900	35,900	37,763	1,863	-
State Grant (2.5%)	945	945	1,375	430	-
Tri-Cities Airport Commission	<u>945</u>	<u>945</u>	<u>612</u>	<u>(333)</u>	<u>-</u>
	<u>\$ 37,790</u>	<u>37,790</u>	<u>39,750</u>	<u>1,960</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1105-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition - Mapleview Farms	\$ 792	380,648	388,000	7,352	-
	<u>\$ 792</u>	<u>380,648</u>	<u>388,000</u>	<u>7,352</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 752	361,615	368,600	6,985	-
State Grant (2.5%)	20	9,516	9,700	184	-
Tri-Cities Airport Commission	<u>20</u>	<u>9,517</u>	<u>9,700</u>	<u>183</u>	<u>-</u>
	<u>\$ 792</u>	<u>380,648</u>	<u>388,000</u>	<u>7,352</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1702-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
North Ramp Plane Port- Design	\$ 5,827	26,867	40,000	13,133	
North Ramp Plane Port- Construction	-	-	273,000	273,000	-
	<u>\$ 5,827</u>	<u>26,867</u>	<u>313,000</u>	<u>286,133</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	5,245	24,181	281,700	257,519	-
Tri-Cities Airport Commission	<u>582</u>	<u>2,686</u>	<u>31,300</u>	<u>28,614</u>	<u>-</u>
	<u>\$ 5,827</u>	<u>26,867</u>	<u>313,000</u>	<u>286,133</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1703-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
GA Terminal Rehab - Designs	\$ 16,339	59,278	102,000	42,722	
GA Terminal Rehab - Construction	-	-	1,033,200	1,033,200	-
	<u>\$ 16,339</u>	<u>59,278</u>	<u>1,135,200</u>	<u>1,075,922</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 14,706	53,349	1,021,680	968,331	-
Tri-Cities Airport Commission	1,633	5,929	113,520	107,591	-
	<u>\$ 16,339</u>	<u>59,278</u>	<u>1,135,200</u>	<u>1,075,922</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT APPLIED FOR
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Snow Plow and Building Demo	\$ 1,755,121	1,755,121	1,821,577	66,456	-
	<u>\$ 1,755,121</u>	<u>1,755,121</u>	<u>1,821,577</u>	<u>66,456</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,667,365	1,667,365	1,730,498	63,133	-
State Grant (2.5%)	43,878	43,878	45,539	1,661	-
Tri-Cities Airport Commission	<u>43,878</u>	<u>43,878</u>	<u>45,540</u>	<u>1,662</u>	<u>-</u>
	<u>\$ 1,755,121</u>	<u>1,755,121</u>	<u>1,821,577</u>	<u>66,456</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1704-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2011

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Obstruction Removal Runway 5	\$ 35,756	35,756	72,500	36,744	-
	<u>\$ 35,756</u>	<u>35,756</u>	<u>72,500</u>	<u>36,744</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 32,180	32,180	65,250	33,070	-
Tri-Cities Airport Commission	<u>3,576</u>	<u>3,576</u>	<u>7,250</u>	<u>3,674</u>	<u>-</u>
	<u>\$ 35,756</u>	<u>35,756</u>	<u>72,500</u>	<u>36,744</u>	<u>0</u>

See Independent Auditors' Report.

Statistical

- Unaudited financial and demographic information



TRI-CITIES REGIONAL AIRPORT
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STATISTICAL SECTION

The statistical section of the Comprehensive Annual Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Commission. The statistical section is from the Airport Commission's fiscal year 2011 Comprehensive Annual Financial Report.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Airport's financial performance and condition have changed over time.

Revenue Capacity

These schedules contain information to help the reader understand the make-up of the Airport's revenue sources. The Airport Commission presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

Debt Capacity

These schedules present information on the Airport's ability to meet their current debt service. The Airport Commission did not have any long-term bond debt prior to 1995. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for long-term bond debt service.

Demographic and Economic Information

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

Operating Information

These schedules contain service and infrastructure data to assist the reader in understanding how the Airport operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 1:
Net Assets and Changes in Net Assets
Last Ten Fiscal Years (unaudited)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
OPERATING REVENUES	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452
OPERATING EXPENSES	5,347,016	5,101,080	5,431,972	5,415,059	5,415,312	5,484,486	5,333,989	4,902,809	4,784,038	4,294,485
OPERATING INCOME BEFORE DEPRECIATION & AMORTIZATION	\$ 549,248	\$ 592,480	\$ 386,472	\$ 702,272	\$ 525,620	\$ 501,014	\$ 406,443	\$ 426,719	\$ 448,045	\$ 409,967
LESS: DEPRECIATION	3,148,163	3,053,364	2,855,601	2,889,942	2,730,172	2,381,018	2,282,141	2,372,815	2,137,476	1,815,182
AMORTIZATION	13,500	13,501	13,501	13,501	13,501	13,501	13,501	109,760	6,478	6,478
OPERATING LOSS	\$ (2,612,415)	\$ (2,474,385)	\$ (2,482,630)	\$ (2,201,171)	\$ (2,218,053)	\$ (1,893,505)	\$ (1,889,199)	\$ (2,055,856)	\$ (1,695,909)	\$ (1,411,693)
OTHER NON-OPERATING REVENUES (EXPENSES)	936,264	809,692	781,318	878,429	557,579	619,715	482,993	103,322	287,541	313,171
LOSS BEFORE CAPITAL CONTRIBUTIONS	\$ (1,676,151)	\$ (1,664,693)	\$ (1,701,312)	\$ (1,322,742)	\$ (1,660,474)	\$ (1,273,790)	\$ (1,406,206)	\$ (1,952,534)	\$ (1,408,368)	\$ (1,098,522)
CAPITAL CONTRIBUTIONS	3,640,905	6,774,016	7,485,388	4,330,262	3,067,094	7,646,827	2,672,004	3,399,266	2,174,875	6,188,177
CHANGE IN NET ASSETS	<u>\$ 1,964,754</u>	<u>\$ 5,109,323</u>	<u>\$ 5,784,076</u>	<u>\$ 3,007,520</u>	<u>\$ 1,406,620</u>	<u>\$ 6,373,037</u>	<u>\$ 1,265,798</u>	<u>\$ 1,446,732</u>	<u>\$ 766,507</u>	<u>\$ 5,089,655</u>
NET ASSETS AT YEAR-END										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 58,312,190	\$ 56,595,863	\$ 50,301,978	\$ 45,438,936	\$ 43,473,265	\$ 40,568,936	\$ 35,041,899	\$ 33,646,213	\$ 33,054,563	\$ 31,108,110
RESTRICTED - TENANT	-	-	-	-	-	-	-	1,654	1,654	5,900
RESTRICTED - PASSENGER FACILITY CHARGE	819,966	754,568	806,920	566,711	362,968	423,709	438,035	411,092	489,956	689,745
UNRESTRICTED	3,891,335	3,708,306	4,840,516	4,159,691	3,321,585	4,758,553	3,898,227	4,053,404	3,119,458	4,095,369
TOTAL NET ASSETS	<u>\$ 63,023,491</u>	<u>\$ 61,058,737</u>	<u>\$ 55,949,414</u>	<u>\$ 50,165,338</u>	<u>\$ 47,157,818</u>	<u>\$ 45,751,198</u>	<u>\$ 39,378,161</u>	<u>\$ 38,112,363</u>	<u>\$ 36,665,631</u>	<u>\$ 35,899,124</u>

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 2:
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years (unaudited)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Cash Flows From Operating Activities										
Cash received from customers	\$ 5,753,038	\$ 5,702,985	\$ 5,796,913	\$ 6,140,734	\$ 5,883,726	\$ 6,043,541	\$ 5,667,282	\$ 5,363,959	\$ 5,090,111	\$ 4,447,917
Cash payments to suppliers for goods and services	(1,955,865)	(1,163,492)	(1,952,309)	(1,563,139)	(2,119,801)	(2,276,146)	(2,121,032)	(2,031,536)	(2,201,758)	(2,062,557)
Cash payments to employees for services	(2,254,986)	(2,411,072)	(2,345,715)	(2,260,532)	(1,998,860)	(2,108,696)	(2,035,227)	(1,975,357)	(1,694,896)	(1,670,691)
Cash payments for employee benefits	(1,024,075)	(1,055,427)	(1,053,814)	(1,064,303)	(970,908)	(843,857)	(810,844)	(656,545)	(556,251)	(432,532)
Cash payments for insurance	(208,614)	(249,790)	(222,280)	(249,566)	(293,462)	(248,434)	(275,004)	(264,252)	(279,725)	(172,246)
Net Cash Provided by (Used for) Operating Activities	<u>309,498</u>	<u>823,204</u>	<u>222,795</u>	<u>1,003,194</u>	<u>500,695</u>	<u>566,408</u>	<u>425,175</u>	<u>436,269</u>	<u>357,481</u>	<u>109,891</u>
Cash Flows From Capital and Related Financing Activities										
Acquisition and Construction of Capital Assets	(4,172,542)	(8,648,385)	(7,419,623)	(4,216,586)	(4,982,119)	(9,388,510)	(5,108,733)	(4,120,037)	(3,755,016)	(5,765,304)
Proceeds from Sale of Property	-	-	-	-	-	-	-	-	-	-
Capital Grants Received	3,859,505	6,897,168	6,967,113	3,617,479	4,402,861	7,071,240	3,200,256	2,265,552	3,336,527	5,002,976
PFC Funds Received	862,463	808,349	795,705	836,158	530,007	597,143	615,655	533,262	508,444	583,932
CFC Funds Received	355,410	322,865	275,044	280,364	295,764	319,116	291,650	259,800	140,118	-
Interest Paid	(325,425)	(352,352)	(376,377)	(399,533)	(422,178)	(442,408)	(462,805)	(410,311)	(311,698)	(327,159)
Cost of Issuing Debt	-	-	-	-	-	-	-	(299,362)	-	-
Bond Proceeds	-	-	-	-	-	-	-	10,540,000	-	-
Principal Paid on Long-Term Debt	(720,000)	(695,000)	(670,000)	(645,000)	(615,000)	(595,000)	(575,000)	(5,380,000)	(300,000)	(285,000)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(140,589)</u>	<u>(1,667,355)</u>	<u>(428,138)</u>	<u>(527,118)</u>	<u>(790,665)</u>	<u>(2,438,419)</u>	<u>(2,038,977)</u>	<u>3,388,904</u>	<u>(381,625)</u>	<u>(790,555)</u>
Cash Flows From Investing Activities										
Purchase of Investments	(330,337)	(35,325)	(1,720,370)	(518,499)	(7,714)	(9,084)	(8,762)	(448,435)	(1,169,162)	(43,056)
Sale of Investments	309,564	421,328	614,584	-	-	-	-	2,777,692	1,250,000	330,000
Interest Received	31,380	69,405	65,844	159,649	163,644	177,101	135,378	78,502	92,228	150,886
Cash Paid for Management Fees	(480)	(480)	(480)	(548)	(667)	(837)	(4,009)	(11,937)	(12,331)	(16,135)
Bond Issue Costs	-	-	-	-	-	-	-	-	-	-
Net Cash Provided By (Used for) Investing Activities	<u>10,127</u>	<u>454,928</u>	<u>(1,040,422)</u>	<u>(359,398)</u>	<u>155,263</u>	<u>167,180</u>	<u>122,607</u>	<u>2,395,822</u>	<u>160,735</u>	<u>421,695</u>
Net Increase (Decrease) In Cash	<u>179,036</u>	<u>(389,223)</u>	<u>(1,245,765)</u>	<u>116,678</u>	<u>(134,707)</u>	<u>(1,704,831)</u>	<u>(1,491,195)</u>	<u>6,220,995</u>	<u>136,591</u>	<u>(258,969)</u>
Cash and Cash Equivalents at Beginning of Year	<u>2,760,567</u>	<u>3,149,790</u>	<u>4,395,555</u>	<u>4,278,877</u>	<u>4,413,584</u>	<u>6,118,415</u>	<u>7,609,610</u>	<u>1,388,615</u>	<u>1,252,024</u>	<u>1,510,993</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,939,603</u>	<u>\$ 2,760,567</u>	<u>\$ 3,149,790</u>	<u>\$ 4,395,555</u>	<u>\$ 4,278,877</u>	<u>\$ 4,413,584</u>	<u>\$ 6,118,415</u>	<u>\$ 7,609,610</u>	<u>\$ 1,388,615</u>	<u>\$ 1,252,024</u>

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
Table 3:
Reserved Funds
Last Ten Fiscal Years (unaudited)

<u>Year</u>	<u>Bond Escrow</u>	<u>Dedicated</u>	<u>GRAND TOTAL</u>
2011	\$ 1,058,760	\$ 1,074,304	\$ 2,133,064
2010	\$ 1,058,760	\$ 1,059,682	\$ 2,118,442
2009	\$ 1,058,760	\$ 1,358,264	\$ 2,417,024
2008	\$ 1,061,800	\$ 1,438,282	\$ 2,500,082
2007	\$ 1,061,800	\$ 1,387,371	\$ 2,449,171
2006	\$ 1,067,754	\$ 1,348,748	\$ 2,416,502
2005	\$ 1,067,754	\$ 1,312,455	\$ 2,380,209
2004	\$ 1,067,754	\$ 1,273,755	\$ 2,341,509
2003	\$ 642,683	\$ 1,273,755	\$ 1,916,438
2002	\$ 633,819	\$ 1,341,100	\$ 1,974,919

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 4:
Principal Revenue Sources and Revenues Per Enplaned Passenger
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Airline Revenues:										
Landing Fees	\$585,775	\$542,400	\$643,106	\$636,555	\$ 593,299	\$ 504,567	\$ 444,625	\$ 392,953	\$ 378,968	\$ 385,133
Terminal Rents	\$788,539	752,467	802,421	775,683	775,683	737,410	691,924	646,680	661,354	632,667
Security Reimbursements	\$553,268	\$560,580	\$568,086	\$609,186	573,096	553,548	532,151	542,497	558,891	463,293
Jetway Fees	\$19,410	\$8,230	\$5,400	\$7,275	9,675	6,675	450	-	-	-
Other	5,089	4,774	7,827	8,554	12,599	13,061	9,451	10,613	12,109	10,140
Total Airline Revenue	\$1,952,081	\$1,868,451	\$2,026,840	\$ 2,037,253	\$ 1,964,351	\$ 1,815,261	\$ 1,678,601	\$ 1,592,743	\$ 1,611,322	\$ 1,491,233
Percent of Total Operating Revenues	33.1%	32.8%	34.8%	33.3%	33.1%	30.3%	29.2%	29.9%	30.8%	31.7%
Non-Airline Revenues										
Parking	\$1,858,862	\$1,704,348	\$1,782,756	\$1,878,917	1,832,702	1,862,406	1,660,578	1,466,110	1,409,675	1,240,980
Percent of Total Operating Revenues	31.5%	29.9%	30.6%	30.7%	30.8%	31.1%	28.9%	27.5%	26.9%	26.4%
Rental Car	\$792,309	\$764,671	\$679,626	\$840,589	777,119	726,233	740,435	697,617	720,523	726,469
Other	\$1,293,012	1,356,090	1,329,222	1,360,572	1,366,760	1,581,600	1,660,818	1,573,058	1,490,563	1,245,770
Total Non-Airline Revenues	\$3,944,183	\$3,825,109	\$3,791,604	\$ 4,080,078	\$ 3,976,581	\$ 4,170,239	\$ 4,061,831	\$ 3,736,785	\$ 3,620,761	\$ 3,213,219
Percent of Total Operating Revenues	66.9%	67.2%	65.2%	66.7%	66.9%	69.7%	70.8%	70.1%	69.2%	68.3%
Total Operating Revenues	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452
Percent of Total Revenues	82.3%	83.0%	83.3%	82.7%	85.6%	84.8%	84.4%	85.7%	87.1%	86.6%
Nonoperating Revenues										
Passenger Facility Charges	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856	\$ 583,092	\$ 628,543	\$ 537,490	\$ 535,415	\$ 530,322
Customer Facility Charges	355,410	307,017	253,729	291,228	295,337	316,526	297,554	260,532	162,798	-
Interest Income	31,380	69,405	65,844	159,649	163,644	177,101	135,378	74,010	78,612	138,650
Other	-	-	-	-	-	-	-	20,519	-	61,246
Total Nonoperating Revenues	\$ 1,266,086	\$ 1,166,919	\$ 1,163,055	\$ 1,283,534	\$ 997,837	\$ 1,076,719	\$ 1,061,475	\$ 892,551	\$ 776,825	\$ 730,218
Percent of Total Revenues	17.7%	17.0%	16.7%	17.3%	14.4%	15.2%	15.6%	14.3%	12.9%	13.4%
Total Revenues	<u>\$ 7,162,350</u>	<u>\$ 6,860,479</u>	<u>\$ 6,981,499</u>	<u>\$ 7,400,865</u>	<u>\$ 6,938,769</u>	<u>\$ 7,062,219</u>	<u>\$ 6,801,907</u>	<u>\$ 6,222,079</u>	<u>\$ 6,008,908</u>	<u>\$ 5,434,670</u>
Enplaned Passengers (excluding charters)	214,669	198,995	205,547	210,244	202,866	224,913	234,238	199,472	197,910	196,228
Airline Revenue Per enplaned passenger	<u>\$ 9.09</u>	<u>\$ 9.39</u>	<u>\$ 9.86</u>	<u>\$ 9.69</u>	<u>\$ 9.68</u>	<u>\$ 8.07</u>	<u>\$ 7.17</u>	<u>\$ 7.98</u>	<u>\$ 8.14</u>	<u>\$ 7.60</u>
Parking Revenue per enplaned passenger	<u>\$ 8.66</u>	<u>\$ 8.56</u>	<u>\$ 8.67</u>	<u>\$ 8.94</u>	<u>\$ 9.03</u>	<u>\$ 8.28</u>	<u>\$ 7.09</u>	<u>\$ 7.35</u>	<u>\$ 7.12</u>	<u>\$ 6.32</u>
Total Revenue Per enplaned passenger	<u>\$ 33.36</u>	<u>\$ 34.48</u>	<u>\$ 33.97</u>	<u>\$ 35.20</u>	<u>\$ 34.20</u>	<u>\$ 31.40</u>	<u>\$ 29.04</u>	<u>\$ 31.19</u>	<u>\$ 30.36</u>	<u>\$ 27.70</u>

Source: Audited Financial Statements
Tri-Cities Airport Commission Activity Reports

Tri-Cities Regional Airport, TN/VA
TABLE 5:
Revenue Rates
Last Ten Fiscal Years

SIGNATORY AIRLINES RATES AND CHARGES

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Landing Fees (per 1,000 lbs. MGLW)	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.85	\$ 1.85	\$ 1.57	\$ 1.31	\$ 1.09	\$ 1.09	\$ 1.09
Terminal Rental Rates (per square foot)	\$ 31.11	\$ 40.52	\$ 40.52	\$ 38.74	\$ 38.74	\$ 36.80	\$ 34.07	\$ 25.69	\$ 25.69	\$ 25.69
Terminal Aircraft Parking Apron Fee, per turn	\$ 6.00	-	-	-	-	-	-	-	-	-
Jetway Use Fee (per use)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Annual Security Reimbursement *	\$ 553,268	\$ 560,580	\$ 568,086	\$ 609,186	\$ 558,127	\$ 553,548	\$ 532,151	\$ 542,497	\$ 558,892	\$ 463,293

* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

Parking Rates

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Long-Term Parking - Daily	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
	\$1 per 30 min *	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour
Short-Term Parking - Daily	\$ 12.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per hour	\$1 per hour	\$1 per hour

* - \$1.00 per hour after the first day

Source: Tri-Cities Airport Commission Lease Data

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 6:
Enplaned Passengers
Last Ten Fiscal Years (unaudited)

Airline	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Allegiant Air	33,181	31,198	38,499	26,020	1,881	0	0	0	0	0
US Airways Express (Air Wisconsin)	443	0	0	460	288	2,711	0	0	0	0
US Airways Express (Allegheny)	0	0	0	0	0	0	0	1,220	3,037	0
American Connection/Eagle	19,004	0	0	0	0	282	6,262	6,582	8,153	4,209
Delta (Atlantic Southeast Airlines)	90,866	87,223	64,576	53,075	40,146	63,159	75,160	69,460	75,940	66,663
Delta (Atlantic Coast)	0	0	0	0	0	0	9,639	25,526	16,803	4,660
Delta (Chautauqua)	0	1,178	17,709	30,864	41,066	25,267	6,518	0	0	0
Delta (Comair)	7,027	1,232	2,233	3,908	831	24,649	38,988	9,964	13,154	26,686
Delta (Freedom)	67	10,969	4,010	11,586	32,297	10,092	0	0	0	0
Delta (Pinnacle)	8,558	3,611								
US Airways Express (Mesa Jet)	366	602	671	959	1,065	21,801	38,357	0	0	0
Northwest Airlin	0	1,351	22,467	22,776	23,689	27,683	27,790	24,254	17,482	14,281
Sky West	0	6,162								
US Airways Express (Piedmont)	24,896	29,336	33,877	38,198	33,810	31,220	27,203	45,067	47,337	50,246
US Airways Express (PSA Airlines)	30,261	26,133	21,505	22,398	27,793	18,049	246	9,017	16,004	17,979
US Airways Express (Trans States)	0	0	0	0	0	0	4,075	8,382	0	0
United Express	0	0	0	0	0	0	0	0	0	4,523
US Airways	0	0	0	0	0	0	0	0	0	6,981
Sub-Total Air Carriers	214,669	198,995	205,547	210,244	202,866	224,913	234,238	199,472	197,910	196,228
Charters	2,673	3,110	4,884	2,837	2,429	2,083	2,496	3,410	2,638	2,255
Total	217,342	202,105	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483

Source: Tri-Cities Airport Commission Traffic Reports.

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 7a:
Airline Landed Weights (000's Omitted)
Last Ten Fiscal Years (unaudited)

Air Carriers	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Air Wisconsin	1,833	141	-	1,786	893	5,264	-	-	-	-
Allegheny Airlines	-	-	-	-	-	-	-	3,492	8,611	-
Allegiant Airlines	34,062	32,930	41,891	28,929	1,814	-	-	-	-	-
American Eagle/ Conn	28,308	-	-	-	-	421	10,240	10,474	13,190	6,212
Atlantic Coast	-	-	-	-	-	-	15,291	32,803	20,526	6,567
Atlantic Southeast	113,196	115,660	93,915	71,061	44,709	76,124	91,836	90,783	100,788	104,882
Chautauqua Airlines	-	1,833	27,449	45,249	62,245	35,603	8,925	-	-	-
Comair	9,447	1,504	3,619	6,392	1,175	36,599	60,630	31,255	28,529	61,617
Freedom	170	15,233	5,489	14,595	40,593	11,829	-	-	-	-
Mesa Jet	441	956	1,397	1,360	1,387	29,075	56,449	-	-	-
Northwest Airlin	-	1,625	43,087	41,411	41,149	41,009	47,947	44,155	30,526	21,831
Piedmont	35,913	41,721	51,299	54,177	49,140	43,816	39,842	69,381	77,624	84,335
Pinnacle	15,275	6,909								
PSA Airlines	46,132	39,263	38,872	42,720	50,563	28,411	516	20,125	31,296	37,596
Sky West	-	9,024	-	-	-	-	-	-	-	-
Trans State	-	-	-	-	-	-	8,015	19,292	-	-
United Express	-	-	-	-	-	-	-	-	-	7,146
USAirways	-	-	-	-	-	-	-	-	-	14,639
Subtotal	284,777	266,799	307,018	307,680	293,668	308,151	339,691	321,760	311,090	344,825
Charters	7,807	7,702	10,070	7,082	6,361	5,181	6,384	9,095	6,151	5,941
Total Air Carriers	292,584	274,501	317,088	314,762	300,029	313,332	346,075	330,856	317,241	350,766

Source: Tri-Cities Airport Activity Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 7b:
Cargo Landed Weights
Last Ten Fiscal Years (unaudited)

<u>Cargo Carriers</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ABX (DHL)/Airborne	-	-	21,163	50,945	51,219	50,940	50,976	50,991	50,164	50,419
Flight Express	408	612	5,777	8,359	8,359	8,359	8,359	8,359	8,359	8,359
Quest Diagnostic	1,296	1,296	1,296	-	-	-	-	-	-	-
Kalitta	-	-	-	-	-	9	751	-	41	-
Martinaire (DHL)	-	-	-	-	-	-	2,108	2,159	2,261	2,202
Reliant	-	-	-	-	-	-	-	-	-	82
Saber	-	-	-	-	-	-	-	334	49	288
Other	734	4,131	80	1,647	1,729	2,677	4,963	5,973	4,062	13,160
	<u>2,438</u>	<u>6,039</u>	<u>28,316</u>	<u>60,951</u>	<u>61,307</u>	<u>61,985</u>	<u>67,157</u>	<u>67,816</u>	<u>64,936</u>	<u>74,510</u>
 TOTAL LANDED WEIGHTS	 <u><u>295,022.1</u></u>	 <u><u>280,540.4</u></u>	 <u><u>345,402.6</u></u>	 <u><u>375,711.1</u></u>	 <u><u>361,336.2</u></u>	 <u><u>375,316.4</u></u>	 <u><u>413,231.8</u></u>	 <u><u>398,671.4</u></u>	 <u><u>382,175.5</u></u>	 <u><u>425,276.6</u></u>

Source: Tri-Cities Airport Activity Report

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 8:
Aircraft Movements Summary (Takeoff and Landing)
Last Ten Fiscal Years (unaudited)

Fiscal Year	Air Carrier	Charters	Cargo Carriers	General Aviation	Air Taxi	Military	Total
2011	11,702	204	828	35,868	1,277	920	50,799
2010	10,928	183	1,056	37,372	1,347	687	51,573
2009	13,688	278	3,130	35,705	646	501	53,948
2008	14,384	186	4,592	41,681	299	398	61,540
2007	14,828	251	4,628	45,483	-	439	65,629
2006	15,188	142	4,678	51,625	347	725	72,705
2005	18,270	194	5,304	59,017	230	583	83,598
2004	19,102	348	5,334	66,660	686	697	92,827
2003	18,434	225	5,322	63,854	145	568	88,548
2002	18,672	232	5,514	67,338	257	558	92,571

Source: Air Traffic Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 9:
Air Cargo, Freight & Mail
Last Ten Calendar Years (unaudited)
(amounts expressed in pounds)

<u>Fiscal</u> <u>Year</u>	<u>Air</u> <u>Carriers</u>	<u>Cargo</u> <u>Carriers</u>	<u>Sub-total</u>	<u>Mail</u>	<u>Total</u>
2011	31,489	97,570	129,059	2,479	131,538
2010	45,384	327,030	372,414	5,114	377,528
2009	100,613	5,898,721	5,999,334	1,593	6,000,927
2008	124,357	16,263,784	16,388,141	239	16,388,380
2007	130,349	10,290,014	10,420,363	1,311	10,421,674
2006	139,507	8,337,359	8,476,866	911	8,477,777
2005	175,998	3,593,986	3,769,984	2,448	3,772,432
2004	207,288	3,917,036	4,124,324	71,898	4,196,222
2003	194,245	3,695,665	3,889,910	125,344	4,015,254
2002	230,788	4,743,562	4,974,350	172,737	5,147,087

Source: Air Traffic Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 10:
Debt Service Coverage
Last Ten Fiscal Years (unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenues	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452
Operating Expenses	5,347,016	5,101,080	5,431,972	5,415,059	5,415,312	5,484,486	5,333,989	4,902,809	4,784,038	4,294,485
Operating Income Before Adjustments	549,248	592,480	386,472	702,272	525,620	501,014	406,443	426,719	448,045	409,967
Other Income	1,266,086	1,166,919	1,163,055	1,283,534	997,837	1,076,719	1,061,475	892,911	776,825	730,218
Other Expenses Net of Interest	480	480	480	548	12,827	9,227	110,191	351,385	180,086	92,215
Net Revenues	<u>\$ 1,814,854</u>	<u>\$ 1,758,919</u>	<u>\$ 1,549,047</u>	<u>\$ 1,985,258</u>	<u>\$ 1,510,630</u>	<u>\$ 1,568,506</u>	<u>\$ 1,357,727</u>	<u>\$ 968,245</u>	<u>\$ 1,044,784</u>	<u>\$ 1,047,970</u>
Debt Service on Airport Revenue Bonds										
Principal	\$ 720,000	\$ 695,000	\$ 670,000	\$ 645,000	\$ 615,000	\$ 595,000	\$ 575,000	\$ 140,000	\$ 300,000	\$ 285,000
Interest (a)	325,425	352,351	376,376	399,533	427,431	447,777	468,291	350,508	309,198	324,832
Total Debt Service	<u>\$ 1,045,425</u>	<u>\$ 1,047,351</u>	<u>\$ 1,046,376</u>	<u>\$ 1,044,533</u>	<u>\$ 1,042,431</u>	<u>\$ 1,042,777</u>	<u>\$ 1,043,291</u>	<u>\$ 490,508</u>	<u>\$ 609,198</u>	<u>\$ 609,832</u>
Coverage ratio * (Revenues/Debt Service)	1.74	1.68	1.48	1.90	1.45	1.50	1.30	1.97	1.72	1.72
* Does not include amounts held in bond reserves	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,061,800	\$ 1,061,800	\$ 1,067,754	\$ 1,067,754	\$ 1,067,754	\$ 642,683	\$ 633,819

Source: Tri-Cities Airport Commission Activity Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 11:
Ratios of Outstanding Debt and Debt Service
Last Ten Fiscal Years (unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Outstanding Debt Per Enplaned Passenger										
Outstanding Debt:										
Airport Revenue Bonds	\$ 5,885,000	\$ 6,605,000	\$ 7,300,000	\$ 7,970,000	\$ 8,615,000	\$ 9,230,000	\$ 9,825,000	\$10,400,000	\$ 5,240,000	\$ 5,540,000
Enplaned Passengers	217,342	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483
Outstanding Debt Per Enplaned Passenger	\$ 27	\$ 33	\$ 35	\$ 37	\$ 42	\$ 41	\$ 42	\$ 51	\$ 26	\$ 28
Debt Service										
Principal	\$ 720,000	\$ 695,000	\$ 670,000	\$ 645,000	\$ 615,000	\$ 595,000	\$ 575,000	\$ 140,000	\$ 300,000	\$ 285,000
Interest	325,425	352,351	376,376	399,533	427,431	447,777	468,291	350,508	309,198	324,832
Total Debt Service	\$1,045,425	\$1,047,351	\$1,046,376	\$1,044,533	\$1,042,431	\$1,042,777	\$1,043,291	\$ 490,508	\$ 609,198	\$ 609,832
Operating expenses	\$ 5,347,016	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059	\$ 5,415,312	\$ 5,484,486	\$ 5,333,989	\$ 4,902,809	\$ 4,784,038	\$ 4,294,485
Total	\$6,392,441	\$6,148,431	\$6,478,348	\$6,459,592	\$6,457,743	\$6,527,263	\$6,377,280	\$ 5,393,317	\$5,393,236	\$4,904,317
Ratio of debt service to Total Expenses	16.4%	17.0%	16.2%	16.2%	16.1%	16.0%	16.4%	9.1%	11.3%	12.4%
Debt Service per Enplaned Passenger	\$ 4.81	\$ 5.18	\$ 4.97	\$ 4.90	\$ 5.08	\$ 4.59	\$ 4.41	\$ 2.42	\$ 3.04	\$ 3.07

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 12:
Passenger Facility Charges
Last Ten Fiscal Years (unaudited)

Airline	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Allegiant Air	\$ 158,203	\$ 160,690	\$ 171,223	\$ 92,092	-	-	-	-	-	-
Delta	391,037	393,130	320,918	387,486	\$ 291,228	\$ 314,364	\$ 340,036	\$ 267,296	\$ 273,782	\$ 256,715
US Airways	211,119	204,014	212,194	238,354	156,214	165,297	170,816	159,186	182,179	198,460
Northwest	0	4,328	62,851	88,540	54,197	68,139	73,406	67,645	49,249	41,619
American	70,835	2,280	-	-	833	-	15,923	15,866	19,691	11,913
United	20,162	18,408	-	-	-	-	20,400	18,014	-	11,987
Other	-	7,647	76,296	26,185	36,384	35,292	7,962	9,483	10,514	9,628
Total PFC Revenue	851,356	790,497	843,482	832,657	538,856	583,092	628,543	537,490	535,415	530,322
Interest Earned	9,690	14,211	11,536	10,142	10,077	11,063	6,270	1,820	4,943	11,520
Total PFC Related Revenue	<u>\$ 861,046</u>	<u>\$ 804,708</u>	<u>\$ 855,018</u>	<u>\$ 842,799</u>	<u>\$ 548,933</u>	<u>\$ 594,155</u>	<u>\$ 634,813</u>	<u>\$ 539,310</u>	<u>\$ 540,358</u>	<u>\$ 541,842</u>
Enplaned Passengers	217,342	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483
% of Passengers	89.2%	89.1%	91.3%	89.0%	90.8%	88.9%	91.9%	90.7%	91.4%	91.5%

Source: PFC Quarterly Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 13:
Customer Facility Charges
Last Nine Fiscal Years (unaudited)

Rental Car	2011	2010	2009	2008	2007	2006	2005	2004	2003
Alamo	\$ 33,237	\$ 28,413	\$ 21,413	\$ 22,484	\$ 22,701	\$ 21,609	\$ 18,938	\$ 15,120	\$ 1,074
Avis	83,511	79,902	66,276	80,675	85,176	90,804	88,825	91,878	50,082
Budget	78,903	72,729	67,508	64,267	59,374	63,441	51,221	46,014	29,082
Enterprise	21,222	-	-	-	-	-	-	-	-
Hertz	73,611	76,833	61,866	79,555	87,059	95,508	94,649	90,138	48,768
National	64,926	49,140	36,666	44,247	41,027	45,164	42,321	50,526	33,792
Total CFC Revenue	\$ 355,410	\$ 307,017	\$ 253,729	\$ 291,228	\$ 295,337	\$ 316,526	\$ 295,954	\$ 293,676	\$ 162,798
Interest Earned	1,522	2,706	4,451	5,361	6,486	6,548	2,265	97	29
Total CFC Related Revenue	<u>\$ 356,932</u>	<u>\$ 309,723</u>	<u>\$ 258,180</u>	<u>\$ 296,589</u>	<u>\$ 301,823</u>	<u>\$ 323,074</u>	<u>\$ 298,219</u>	<u>\$ 293,773</u>	<u>\$ 162,827</u>

Amount per contract	\$ 9.00	\$ 9.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 6.00	\$ 6.00
Debt Service Payments	\$ 299,159	\$ 302,201	\$ 301,326	\$ 303,797	\$ 298,652	\$ 300,359	\$ 252,182	\$ 237,434	\$ -

Note: The customer facility charge was first collected during the 2003 fiscal year. Therefore, a full twelve months was not collected.

Source: Audited Financial Statements

Tri-Cities Airport Commission
 Tri-Cities Regional Airport, TN/VA
TABLE 14:
Demographic Data - Population
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2009	576,196	6,306,019
2008	573,265	6,214,888
2007	569,644	6,156,719
2006	565,722	6,038,803
2005	493,023	5,962,959
2004	487,990	5,900,962
2003	485,884	5,689,283
2002	482,934	5,797,289
2001	485,132	5,740,021
2000	480,091	5,689,283

Source: U.S. Census Bureau

Tri-Cities Regional Airport, TN/VA
TABLE 15:
Demographic Data - Per Capita Income
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2009	31,770	33,802
2008	30,287	35,126
2007	28,173	33,395
2006	26,884	32,172
2005	26,383	31,107
2004	24,429	28,641
2003	24,137	28,455
2002	23,473	27,671
2001	22,993	26,758
2000	22,302	25,946

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA

TABLE 16:
Demographic Data - Unemployment Rate Percentage
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2009	9.3%	10.8%
2008	7.0%	6.7%
2007	4.7%	4.8%
2006	4.7%	5.2%
2005	5.4%	5.6%
2004	5.5%	5.4%
2003	5.9%	5.7%
2002	4.7%	5.3%
2001	4.6%	4.7%
2000	4.5%	4.0%

Source: US Bureau of Labor Statistics

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 17:
Demographic Data
Top 10 Employers in Region (unaudited)

Rank	Company	Employees	Percentage	Industry
1	K-VA-T Food Stores, Inc.	12,810	27.8%	Retail/ Supermarkets
2	Mountain State Health Alliance	9,036	19.6%	Health Care
3	Wellmont Health Systems	7,087	15.4%	Health Care
4	Eastman Chemical Company	7,000	15.2%	Chemical, Fibers & Plastics
5	East Tennessee State University	2,330	5.1%	Higher Education
6	James H. Quillen VA Medical Center	2,000	4.3%	Health Care
7	Sullivan County Dept of Education	1,646	3.6%	Public Education
8	Citi Cards	1,500	3.3%	Customer Service Call Center
9	Advanced Call Center Technologies	1,389	3.0%	Customer Service Call Center
10	Washington County (TN) Dept. of Education	1,300	1.3%	Public Education

Source: The Business Journal 2008 Book of Lists

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA

TABLE 18:

Employees by Department *

Last Ten Fiscal Years (unaudited)

Fiscal Years Ending June 30

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Maintenance	9	9	9	8	9	9	9	7	9	8
Access Control	1	1	1	1	1	1	1	1	1	1
Public Safety	14	13	15	16	16	14	16	15	16	16
Janitorial	6	6	9	10	9	9	10	10	10	10
Airport Services	1	2	2	3	3	3	3	3	3	3
Marketing	3	3	3	3	3	3	3	3	3	3
Air Cargo & Trade Dev	1	1	1	1	2	3	3	3	3	0
Ground Handling	1	1	1	1	0	0	0	0	0	0
Administration	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>8</u>	<u>8</u>
Total Full-Time Employees	<u>45</u>	<u>45</u>	<u>51</u>	<u>53</u>	<u>52</u>	<u>52</u>	<u>55</u>	<u>51</u>	<u>53</u>	<u>49</u>

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
* - Part-time Employees --				
Ground Handling Services	7	10	11	11
Access Control	6	6	6	6
Airport Services	2	1	1	1
Maintenance	0	0	0	2
Public Safety	2	2	0	0
Janitorial	3	1	0	0
Admin	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Total Part-Time Employees	<u>21</u>	<u>21</u>	<u>18</u>	<u>20</u>

Source: Tri-Cities Airport Commission Payroll Records

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 19:
Insurance in Force (unaudited)
June 30, 2011

Type of Policy	Policy Insurer	Expiration Date	Policy Limit	Risk Coverage
Airport Liability	ACE	3/31/2012	\$50,000,000	General Liability
Excess Liability	ACE	3/31/2012	\$25,000,000	Over \$1M for Auto & 1M Employment Liability
Automobile	Cincinnati Ins. Co.	3/31/2012	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	3/31/2012	\$33,927,648	Buildings, contents, flood, earthquake.
Personal Property	Cincinnati Ins. Co.	3/31/2012	\$1,583,618	
Business Income	Cincinnati Ins. Co.	3/31/2012	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	3/31/2012	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	3/31/2012	\$1,887,719	
Public Officials	AIG/National Union	3/31/2012	\$5,000,000	Airport Commissioners
	AIG/National Union	3/31/2012	\$5,000,000	Employment Practices
Crime/Fidelity	Cincinnati Ins. Co.	3/31/2012	\$250,000	Faithful Performance Computer Fraud
Worker's Comp	USAIG/Liberty Mutual	3/31/2012	By Law	Employer's liability
	USAIG/Liberty Mutual	3/31/2012		Employee bodily injury
Health/Medical	United Healthcare	12/31/2011		Medical/Rx/Vision
Dental	MetLife	12/31/2011		Dental
Life	MetLife	12/31/2011		Life/AD&D
Voluntary Products	Met Life USABLE AFLAC	12/31/2011		S/T, L/T disability, additional life, dependent coverage, cancer & accident

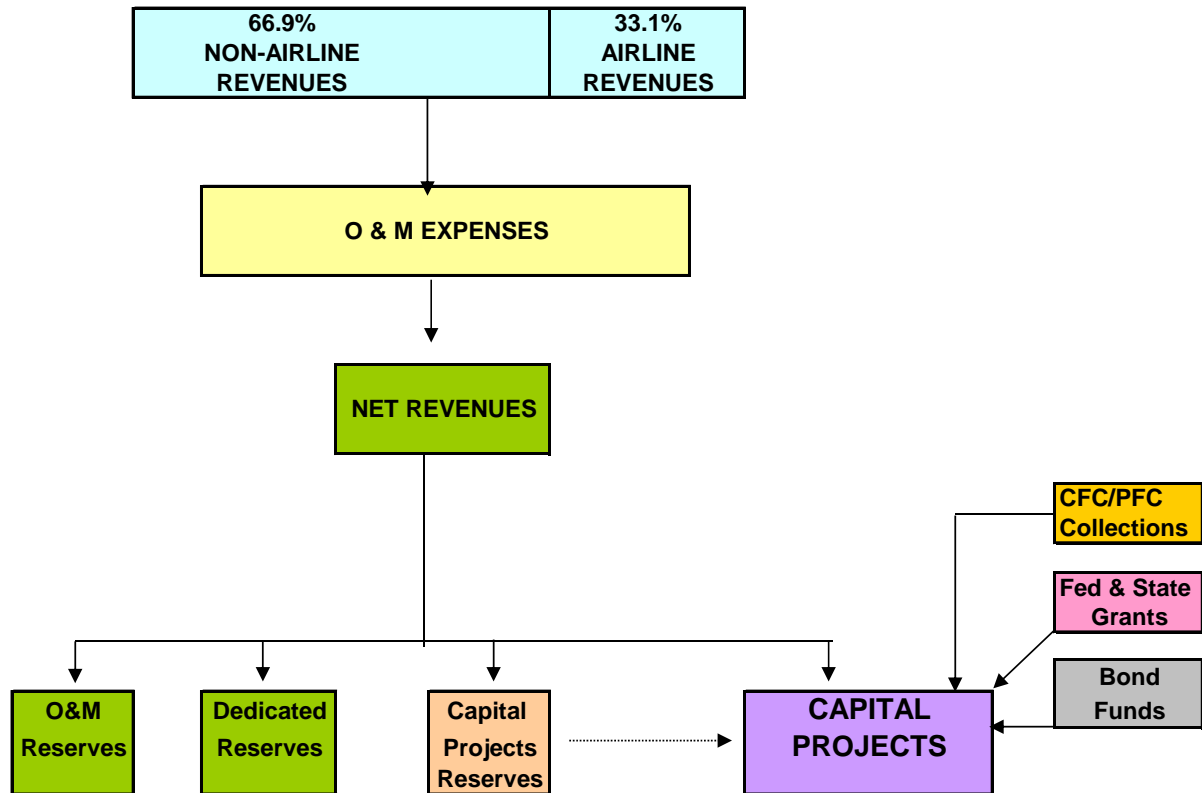
Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 20:
Capital Asset Allocation and Funding
Last Ten Fiscal Years

SOURCE OF FUNDS	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Federal Funds	\$ 2,580,825	\$ 5,170,594	\$ 5,096,784	\$ 3,305,742	\$ 2,154,764	\$ 6,318,155	\$ 1,819,123	\$ 2,876,129	\$ 1,863,803	\$ 5,944,725
State Funds	1,060,080	1,603,422	2,388,604	1,024,520	912,330	1,248,508	747,610	520,812	310,637	351,885
Local Funds	-	-	-	-	-	80,164	105,271	2,325	435	-
Other Funds	-	-	-	-	-	-	-	-	-	-
Bond Funds	-	-	-	-	-	1,907,957	1,739,203	-	-	-
Airport Funds	585,931	1,378,032	731,117	115,783	283,444	244,472	942,984	619,807	445,327	739,736
TOTAL SOURCE OF FUNDS	\$ 4,226,836	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045	\$ 3,350,538	\$ 9,799,256	\$ 5,354,191	\$ 4,019,073	\$ 2,620,202	\$ 7,036,346
USE OF FUNDS										
Land	\$ 471,083	\$ 1,007,132	\$ 700,492	\$ 719,530	\$ 1,523,645	\$ 1,601,557	\$ -	\$ 611,693	\$ (15,284)	\$ 117,103
Construction-In-Progress	(68,823)	460,791	6,573,883	2,104,451	(4,528,067)	1,027,243	3,517,343	(323,740)	(6,758,857)	135,436
Runways, Roads, etc.	2,900,891	6,342,221	494,802	87,479	4,506,185	1,542,944	231,568	3,083,562	8,303,199	509,902
Parking Lot	-	-	34,359	1,245,403	56,150	963,614	1,333,911	403,323	-	-
Terminal Building	-	11,359	123,285	63,017	846,523	58,494	140,503	37,116	190,865	5,554,106
Other Buildings	22,703	124,262	-	53,630	586,946	3,788,505	82,417	-	-	404,138
Equipment and Vehicles	900,982	91,046	235,252	172,535	359,156	786,899	48,449	207,119	900,279	315,661
Master Plans	-	115,237	54,432	-	-	30,000	-	-	-	-
TOTAL USE OF FUNDS	\$ 4,226,836	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045	\$ 3,350,538	\$ 9,799,256	\$ 5,354,191	\$ 4,019,073	\$ 2,620,202	\$ 7,036,346

Source: Audited Financial Statements

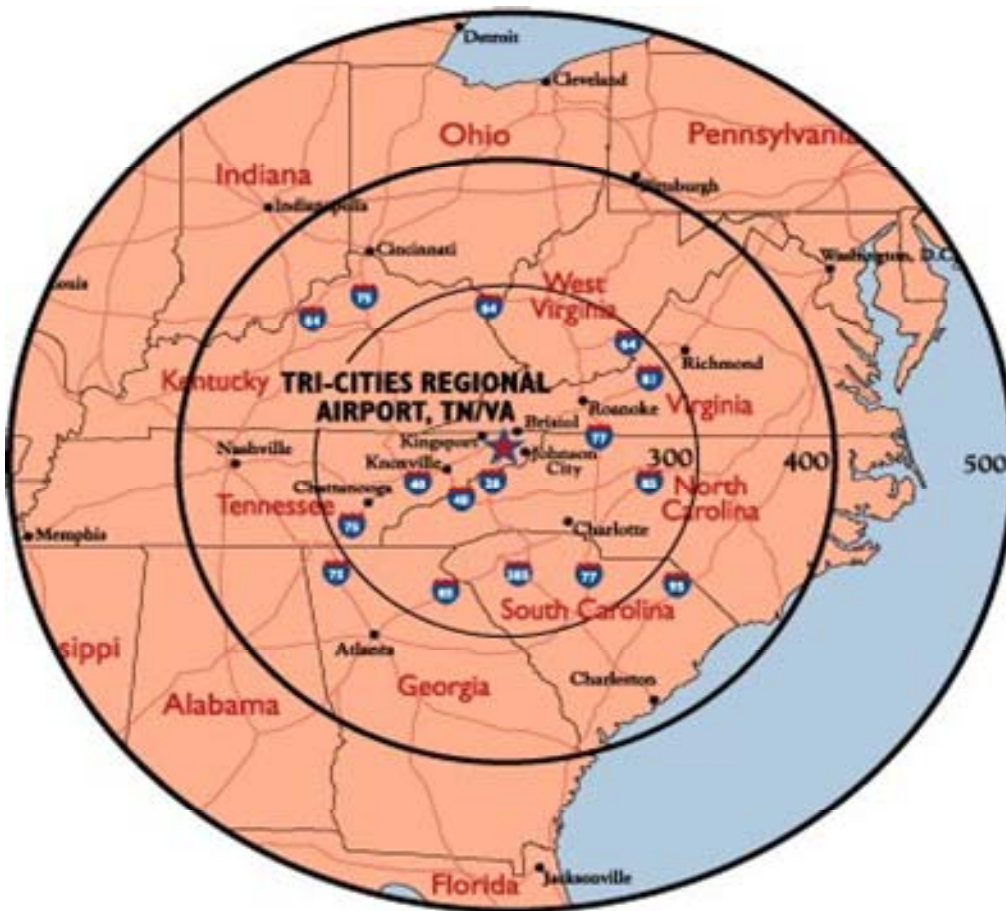
The following chart shows the flow of Airport revenues.

Tri-Cities Airport Commission
TABLE 21:
Flow of Funds



Tri-Cities Airport Commission
TABLE 22:
Location of Airport

Tri-Cities Regional Airport is centrally located between the cities of Bristol, Tennessee, Bristol, Virginia, Kingsport, Tennessee, and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



**Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA**

**TABLE 23:
Capital Asset Information
as of June 30, 2011**

Land & Facilities	1,250 acres of land and 89 acres in easements	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II) Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines - Exclusive/Joint Use	13,193 sf
	Airlines - Common Use	15,278 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u><u>113,532</u></u> sf
	Number of Passenger Gates	7
	Number of Loading Bridges	1
	Number of Concessionaires	4
	Number of Rental Car Agencies	5
Apron:	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
Parking Spaces:	Long-Term	923
	Short-Term	185
	Surface Overflow	207
	Metered	21
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u><u>1,596</u></u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027	
	Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85,000 sq ft Hangar
		12,000 sq ft Climate Controlled Hangar
		21 Tie-Downs & 11 Plane Ports
		10,000 sq ft FBO Terminal
Corporate:	4 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL	
	40,000 gallon Jet A	

Internal Control and Compliance

- Internal Control and Compliance Section
- Independent Auditors' Report on Compliance
- Schedule of Findings and Questioned Costs
- Passenger Facility Charges Section



TRI-CITIES REGIONAL AIRPORT
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

We have audited the financial statements of the Tri-Cities Airport Commission (the Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Tri-Cities Airport Commission
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters

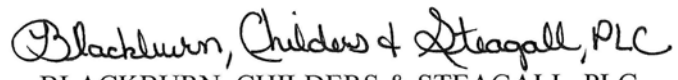
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tri-Cities Airport Commission, in a separate letter dated November 17, 2011.

This report is intended solely for the information and use of the management, the finance committee, the Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 17, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

Compliance

We have audited the compliance of the Tri-Cities Airport Commission (the Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Tri-Cities Airport Commission's major federal programs for the year ended June 30, 2011. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Tri-Cities Airport Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

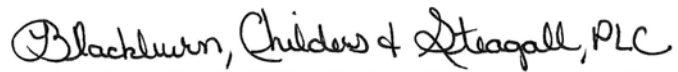
Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance committee, the Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 17, 2011

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Tri-Cities Airport Commission.
2. There were no significant deficiencies on the Airport's internal control disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Commission were disclosed during the audit.
4. There were no significant deficiencies noted on the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Commission expresses an unqualified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. There were no audit findings relative to the major federal award programs.
7. The program tested as a major program was the Airport Improvement Program CFDA #20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Tri-Cities Airport Commission was determined to be a low risk auditee.

Financial Statement Findings

There were no financial statement findings.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs in regard to the major federal award programs audit.

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Passenger Facility

Charges



TRI-CITIES REGIONAL AIRPORT
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, TN 37617

Compliance

We have audited the compliance of Tri-Cities Airport Commission (the Commission), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the year ended June 30, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2011.

Internal Control Over Compliance

In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

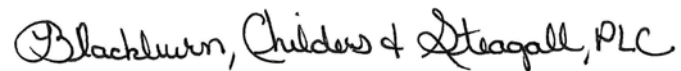
Our consideration of internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that we consider to be material weaknesses, as defined above.

Schedule of Passenger Facility Charges, Investment Income, and Related Expenditures

We have audited the financial statements of the Commission as of and for the year ended June 30, 2011 and have issued our report thereon dated November 17, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying schedule of passenger facility charges, investment income, and expenditures is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. This schedule is the responsibility of the management of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Commissioners, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 17, 2011

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
JUNE 30, 2011

I. Summary of Auditors' Results

- i. An unqualified report was issued on the financial statements of the Tri-Cities Airport Commission.
- ii. No instances of noncompliance were disclosed by the audit on the Commission's financial statements.
- iii. An unqualified opinion was issued on compliance for the passenger facility charge program.

II. There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. There were no findings related to the passenger facility charge program.

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF PASSENGER FACILITY CHARGES,
INVESTMENT INCOME AND RELATED EXPENDITURES
For the Year Ended June 30, 2011

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2010					\$ 633,655
Passenger Facility Charges	219,002	229,714	188,778	224,857	862,351
Investment Income	2,352	2,614	2,737	1,987	9,690
Disbursements	(14,620)	(76,237)	(195)	(732,424)	(823,476)
Cash Balance, June 30, 2011					682,220
Receivable June 30, 2011					137,746
Restricted PFC Funds					<u>\$ 819,966</u>